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ABSTRACT

Because one of the first tasks in undertaking a systematic study of Israel's educational system is to develop baseline information on certain critical aspects of its structure, function, and finance, this document addresses itself to the issue by serving as a substantive study of what happened to Israeli educational finance during the decade of the 1980s and by providing baseline data from which to continue to draw comparisons in the future. The study investigates the patterns of state government funding of education in Israel in the 1980s. It begins by focusing on the share of education and the Ministry of Education budget, in particular, relative to certain overall indicators, the gross national product, total government spending, and social service spending and looks at the distribution of education spending by source, level of education, and school system. The reasons for various increases and decreases are probed and each level, kindergarten, primary, secondary, and higher education, is discussed in depth. The study then looks in detail at the education budgets of local authorities in Israel, the agencies of government responsible for the day-to-day operation of most schools. To access trends in the Israel education budget in the 1980s, the study reviewed the relevant budgets as reported by the Israel Central Bureau of Statistics, and compared them with the budgets of other government ministries. With extensive tables and figures culled from these data, this study offers policymakers an important research tool to assist in setting priorities in the development of education services in the 1990s. (DK)

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TRENDS IN THE ISRAEL EDUCATION BUDGET IN THE 1980'S

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אייסס ISES
Institute for the
Study of
Educational
Systems

TRENDS IN THE ISRAEL EDUCATION BUDGET IN THE 1980'S

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Jerusalem, May 1993

ISES — Institute for the Study of Educational Systems

ISES — the Institute for the Study of Educational Systems — is a joint venture of the Jerusalem Center for Public Affairs and the Foundations of the Milken Families. The establishment of this new, separately incorporated, Institute was made possible by a generous grant from the Foundations of the Milken Families. The aim of the Institute is to conduct applied research on educational problems from a systematic perspective to better deal with the educational needs of the 21st century.

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INTRODUCTION

One of the first tasks in undertaking a systematic study of Israel's educational system is to develop baseline information on certain critical aspects of its structure, functioning, and finance. This study addresses itself to the latter issue in two ways: as a substantive study of what happened to Israeli educational finance during the decade of the 1980s, and to provide baseline data from which we may continue to draw comparisons in the future.

This study investigates the patterns of state government funding of education in Israel in the 1980s. It begins by focusing on the share of education and the Ministry of Education budget, in particular, relative to certain overall indicators — the GNP, total government spending, social service spending — and looks also at the distribution of education spending — by source, level of education, and school system. The reasons for various increases and decreases are probed and each level — kindergarten, primary, post-primary, and higher education — is discussed in depth.

The study then looks in detail at the education budgets of local authorities in Israel, the agencies of government responsible for the day-to-day operation of most schools. While the Ministry of Education and Culture is by law the authority that sets policies and standards, and is largely responsible for the curriculum, the local authority is largely responsible for the school buildings and physical equipment.[1]

Local government in Israel is organized in one or another of three types of local authorities: cities, generally over 30,000 population; local councils, generally towns below 30,000 population; and regional councils, federations of rural settlements (kibbutzim and moshavim) that provide common services for their constituents. Among the cities and local councils there is a subcategory of "development towns," namely those urban settlements established in 1950s and 1960s in frontier regions to house the then new immigrant population and also to strengthen Israel's security and regional development. Since they were located on the peripheries of Israel's settled areas and populated by newcomers, they started with relatively weak economic bases and many have had continued problems sustaining themselves. Thus they have been beneficiaries of special state consideration in many fields.

To assess trends in the Israel education budget in the 1980s, the author reviewed the relevant budgets as reported by the Israel Central Bureau of Statistics (CBS), and compared them with the budgets of other government ministries. Much of the information upon which this analysis is based was published by the Ministry of Education and Culture, chiefly in the notes to the annual ministry budgets for these years. Data for the relevant period from the Economics and Budgets Division of the Ministry of Education and Culture were also reviewed. The data pertaining to the local authorities were based on information gathered by the Central Bureau of Statistics and presented in two annual publications: *Local Authorities in Israel, Financial Data,* and *Local Authorities in Israel, Physical Data.* These, in turn, are based on figures appearing in the local authorities' financial reports.

The 1980s were a very turbulent decade fiscally in Israel. In 1977, control of the Israel government changed hands for the first time since before the establishment of the state, from a Labor-led coalition to one led by the Likud. A major part of the Likud program was the introduction of a new economic policy, presumably designed to create a freer market in Israel, more connected with the world market. Matters got out of hand, however, in part because of

the government's need to respond to political pressures. One consequence was that perennial inflation rose steeply, reaching over 400 percent a year and at one point attaining a rate that, had it persisted, would have reached over 1000 percent annually. In 1985, the Likud-led national unity government developed and implemented an economic stabilization plan that drastically reduced inflation down to the lower double digits, with all the budgetary dislocations that one would expect from that drastic action. Consequently, it is impossible to compare financial data without extensive adjustment. Even the Israel currency was changed twice in the period under discussion, from the Lira to the Shekel and then to the New Shekel. Comparative monetary figures are provided in this report, adjusted according to some constant rate or expressed in percentages.

With extensive tables and figures culled from these data, this study offers policy-makers an important research tool to assist in setting priorities in the development of educational services in the 1990s, a decade whose problems will include the absorption of mass immigration, the design of appropriate education programs at a time of growing unemployment, and the need to lengthen the currently limited school day.

Although the decision to extend the school day has been taken in principle, practical financial limitations have prevented this from being carried out as of yet. Thus the educational situation in Israel at the time of publication of this report (1993) very much continues to reflect the developments of the 1980s.

SUMMARY

Education Budgets Declined

The 1980s were characterized by substantial financial and budgetary trauma that reverberated throughout the Israeli economy. The triple-digit inflation that prevailed until 1985 gave way to low double-digit inflation rates (no higher than 30 percent, and often much lower) in the second half of the decade. Such rapid economic changes rocked public sector budgets as well. Since the budget is an expression of policy in financial terms, its apportionment also reveals the priority given to education as compared with other areas of activity. Education declined and then recovered as a state budget priority — from 17.7 percent of the total civilian budget in 1979 to 10.4 percent in 1985 to 14.5 percent in 1990. Other indicators show similar patterns over the decade.

State education expenditures as a share of GNP decreased during the period reviewed. The share of education in the GNP was 6.5 percent lower in 1989/90 than in 1984/85. Inflation-adjusted expenditures on education grew by an annual average of 1.37 percent in the 1980s, but since the population grew by an annual average of 2 percent, per-capita expenditure decreased sharply. Education expenditures did recover in 1986-88, growing at an annual average of 3.16 percent, a rate that exceeded population growth. However, data were not yet available on the impact on education spending of the mass immigration of the 1990s.

Ministry of Education data show that government spending on education increased by 8.5 percent (inflation-adjusted) between 1979 and 1988. Population growth during the same period was 16.6 percent. Thus, per-capita governmental education expenditures actually fell from NIS 746 to NIS 719.

Per-capita expenditure on education from all sources, private and non-profit as well as government, was estimated at NIS 926 in 1979/80. This figure dropped to NIS 915 in 1984/85 and NIS 893 in 1985/86. While an increase to NIS 919 followed in 1987/88, this was still 0.8 percent lower than in 1979/80.

While exact figures are difficult to estimate, Klinov concluded that real per-pupil outlays (in 1986 dollars) dropped from $809 in 1980 to $718 in 1986 in primary education, from $1,344 to $1,269 in junior high, and from $1,181 to $1,063 in academic post-primary schooling.[2]

In the second half of the 1980s, there was a gratifying reverse trend toward consistent and significant growth of per-capita state budgets for education. However, even the increased education budgets of the second half of the 1980s did not fully compensate for the drastic cutbacks in the first half of the decade (particularly in 1983 and 1985). Thus, the period as a whole showed a real decrease of 3.6 percent in per-capita education outlays in the state budget. The education cutbacks were felt in shorter school days with some children returning home at noon, the elimination of school meals, and less special equipment for music, crafts, and agriculture.

Parents Paid More

The share of state government and local authorities in total education expenditures decreased from 84 percent in 1978/79-1980/81 to 76-77 percent in 1984/85-1987/88. As the state budget for educational services declined, parents found themselves shouldering a growing financial burden to help make up the cutbacks in classroom hours and enrichment programs, and paying directly for what is known as "grey education" for their children, a practice which became the norm in a large proportion of Jewish schools. Household expenditures for education almost doubled between 1984/85 and 1987/88. The conventional opinion is that even this growth in private education expenditures, as a substitute for the reduction in government outlays, did not offset the cutbacks. Thus the decrease in real per-capita education expenditures was detrimental both to the average level of educational services and to equal opportunity of access to them, as compared with the level that existed at the end of the 1970s. In May 1992, a public commission recommended that the cost of education be borne by the entire population and not parents alone since quality education is a national interest of the highest order.

A Shift to Ultra-Orthodox Schooling

Among the country's educational systems (State, State-Religious, Independent, others), there has been a salient uptrend in enrollment in the ultra-Orthodox (*haredi*) Independent system, in all its variations and on all levels: primary schools, post-primary schools, and teachers' colleges (classroom and preschool). Among the alternative educational subsystems growing during the decade were Tali — a strengthened Jewish studies program; the Noam *haredi*-Zionist network; and the El Hamaayan religious school system of the Sephardi Shas party. Looking at changing enrollment patterns in the 1980s, in the primary schools enrollment was down in the State schools, but rose in the State-Religious and Independent schools. At the post-primary and teachers' college level, State-Religious school enrollment declined, the State system showed no change, but increases were again noted in the Independent system.

Kindergarten Class Size Declined

Preschool enrollment did not increase significantly during the 1980s. Enrollment growth between 1985/86 and 1989/90 was only 7.3 percent, whereas the number of teaching posts rose 11.2 percent, thus the average kindergarten class size decreased during the period.

More Graduate Students at University

Looking briefly at university enrollment patterns, between 1985 and 1990 the general population grew by 8.6 percent, the number of undergraduates grew by only 6 percent, but the number of graduate students rose sharply: 23 percent for masters degree candidates and 19 percent for doctoral students.

Jewish-Minorities Gap Narrows

In the minorities sector, long characterized by great disparities vis-a-vis the Jewish sector, these gaps are being narrowed today. In 1989/90, average primary school class size in the Jewish State system was 28.8, while in the minorities sector it was only slightly higher — 30.7. School enrollment rates are up for both Jews and minorities, with enrollment of 95.6 percent in the Jewish sector and 85 percent in the Arab sector. Looking only at ages 14-17 where pupils theoretically have an economic alternative to education, Jewish enrollment is 89 percent compared with 62.4 percent in the Arab sector. Yet the gap is narrowing, with enrollment in the Arab sector rising 22 percent in the last decade. In the Jewish sector, the post-primary enrollment rate of girls exceeds that of boys, while the reverse is true in the Arab sector.

Local Authority Spending on Education

The local authorities are the day-to-day providers of education and receive most of their funding from the state government. Analysis of local authority spending on education in the 1980s shows an overall decline of 5 percent. Yet spending in those years grew 30 percent in Arab and 64 percent in Druse local councils. However, there remains a significant discrepancy between per-pupil expenditure in the Jewish and the minorities sector. In 1987/88, per-capita education spending in the Jewish municipalities was twice that in the Arab and Druse sectors, down from three times as large in 1979/80.

Local Spending Shifting to Cultural Services

Jewish local authorities allot about one-quarter of their budgets to education; Arab authorities allot about one-third. The share of local authority budgets devoted to education has decreased slightly, while the share devoted to other services, especially culture, has grown. This change in emphasis is especially evident in development budgets, where the growth rate for cultural services far exceeds that of education. Most local authority expenditures on culture are allocated to afternoon activity groups, appearances by performing artists, and sports. This change would seem to indicate that prior to the immigration wave of the early 1990s, the local authorities had reached a saturation point, particularly in the construction of schools. Some local authorities evidently shifted their priorities more toward cultural services in both the regular and development budgets, perhaps based on the consideration that much of the citizenry perceives more immediate benefits from cultural services. Another shift was seen in the decline in state government support for cultural services and its replacement by user fees. The growth in local authority expenditures for cultural services was especially notable in the minorities sector, rising 102 percent among Arab local authorities and 139 percent in Druse councils.

The Elimination of School Lunches

Local authority spending for meals and summer camps, which comprised 6.4 percent of education expenditures in 1979/80, had been virtually eliminated by 1987/88. The provision of hot lunches for a sizable segment of the pupil population was highly important in the country's early years, since certain population groups were in such dire economic straits that this was the only complete and warm meal that some pupils received during the day. Today, with unemployment rates on the rise (reaching 16 percent in several development towns), and with some groups of recent immigrants affected by joblessness and low incomes, the decision to do away with school lunches should be reconsidered, at least in those parts of the country where difficult socioeconomic circumstances prevail. The resumption of this service would also be a significant factor in furthering the aim of the country's education policy-makers to lengthen the school day so that it approximates the school day that prevailed in the 1970s.

CHAPTER 1

EDUCATION SPENDING IN ISRAEL: AN OVERVIEW

1.1 The Role and Responsibility of Government

The Compulsory Education Law of 1951 set forth the financial and other relevant legal arrangements for education in Israel. This law states that pupils aged 5-17 must attend school regularly, and that education must be provided for these age groups, as well as to 16- and 17-year olds, at public expense, in order to foster post-primary schooling.

Education is defined as a state service, i.e., it is the duty of the government — in this case the Ministry of Education — to provide educational services and to determine their scope. In the field of education, the Ministry of Education serves as a body that formulates policy and sets personnel and other requirements by which it may determine the quantitative and financial scope of the service. The service itself is tendered primarily by local authorities, which are responsible for maintaining and operating schools and for enforcing regular attendance. The local authorities are also responsible for developing school facilities and purchasing the equipment needed to provide service at an appropriate level of quality.

As part of the financial arrangements between the Ministry of Education and the local authorities, it was agreed that the Education Ministry would pay 75 percent of local authority expenditures on educational services. Some of these expenditures, such as teachers' salaries, are fully borne by the Ministry of Education. Over the years, conflicts have arisen between the local authorities and the Education Ministry, with the former claiming that the ministry's share, in real terms, is lower than the agreed share, and in particular that the ministry sets staff requirements at levels that are too low to provide ongoing educational services and develop new ones. As a result of the local authorities' claims that these problems have brought about deficits in their budgets, a committee was set up in 1992 (the Harmelech Committee) which recommended new arrangements for the relative distribution of the financial burden between the Education Ministry and the local authorities. The main recommendation is that the state provide the local authorities with almost total funding of education expenditures.

1.2 Major Trends in Education Expenditures

In estimating education expenditures, one must differentiate between educational services supplied by the government (including local authorities) and non-profit organizations — over 90 percent of the total — and educational services purchased by individuals directly from for-profit private schools (about 10 percent).

Government and non-profit institutions supply educational services at reduced rates or at no charge. Since these services have no market price, their value is assessed in their production costs. These costs include labor and ongoing purchases of goods and other services. Since 1984/85, estimates of education expenditures have also included estimated expenditures for

depreciation of buildings and equipment, as well as an item covering the government's commitment to pay retirement pensions to its employees. The inclusion of these two items raised education expenditures by about 15 percent. The foregoing data on education expenditures for the years preceding 1984/85 were adjusted to reflect the impact of these new items. To compensate for the hyperinflation of the 1980s, the Central Bureau of Statistics converted the data into constant prices by indexing the annual changes in prices. Because of this method of computation, the total of current plus investment expenditures does not add up to the total expenditure in every year.

The Share of Education in the GNP

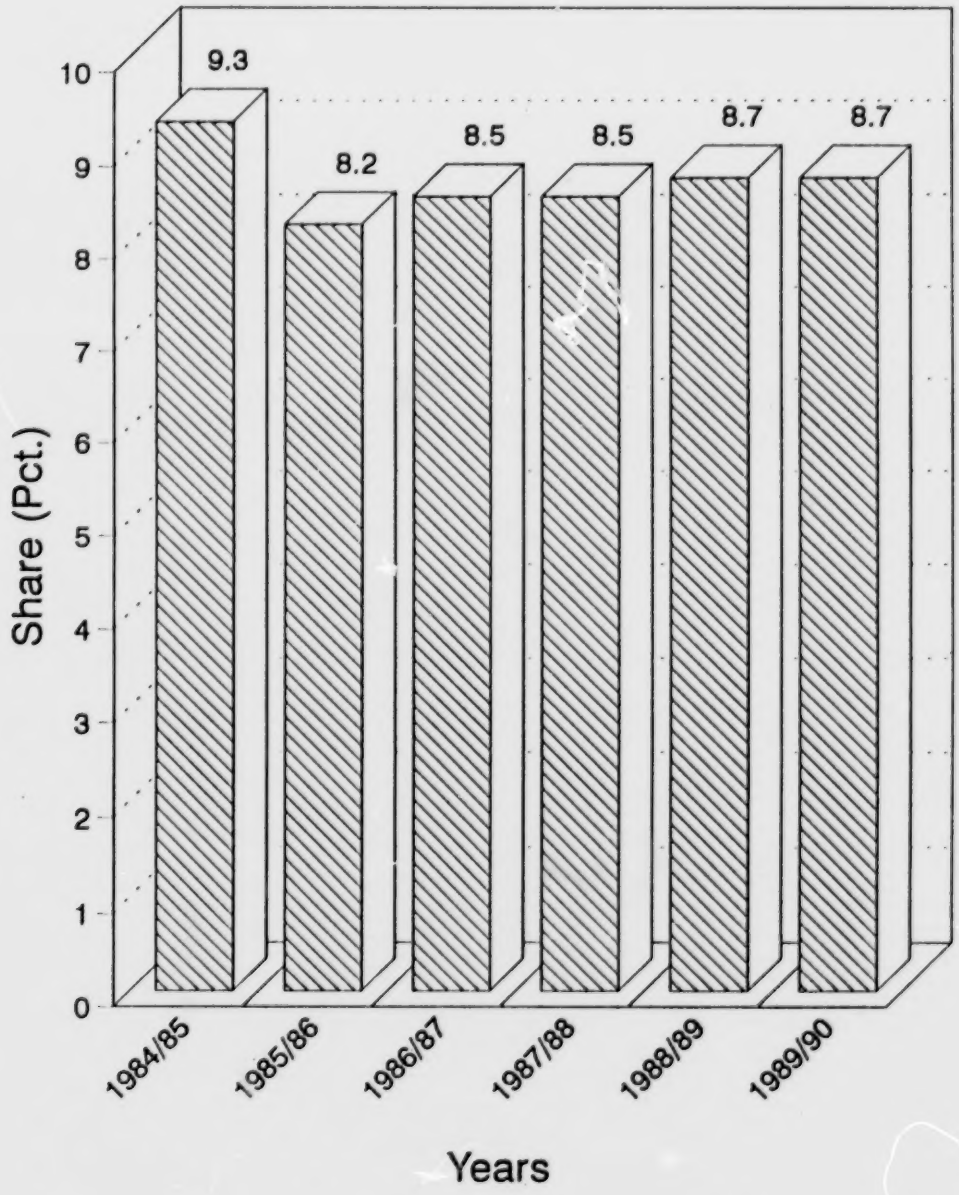
To begin our review of trends in the Israel education budget in the 1980s, let us look first at the share of education expenditures in the GNP. Table 1.2.1 and Figure 1.2.1 list education expenditures as a share of GNP for the period 1984/85-1989/90. The data show that after the Economic Stabilization Plan was put into effect in July 1985, education expenditures as a share of GNP fell by a steep 12 percent. Although there were slight increases in subsequent years (1988/89 and 1989/90), education expenditures as a percentage of GNP remained about 6.5 percent lower in 1989/90 than in the base year, 1984/85.

TABLE 1.2.1: EDUCATION EXPENDITURES AS A SHARE OF GNP, 1984/85-1989/90

Year	Pct. of GNP
1984/85	9.3
1985/86	8.2
1986/87	8.5
1987/88	8.5
1988/89	8.7
1989/90	8.7

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, No. 42, 1991, p. 608.
Note: Data refer to civilian expenditures only — not including the defense budget.

Figure 1.2.1
Education Expenditures as a Share of GNP, 1984/85-1989/90



Average Yearly Growth in Education Spending

Table 1.2.2 reviews overall trends in education spending during the 1980s by type of expenditure. The data show that inflation-adjusted expenditures on education grew by 1.37 percent per year on average. Since average annual population growth during this period was 2 percent, per-capita expenditures during the 1979/80-1987/88 period (hereafter: the 1980s) decreased sharply.

Looking at 1985/86 as against the previous year, 1984/85, we note a decline of 0.74 percent in total expenditures. Investment in fixed assets dropped significantly, by 8.2 percent. Total current expenditures did not change during that period. The main reason for the decrease in 1985/86 was the large reduction of the state budget caused by the Economic Stabilization Plan, which went into effect on July 1, 1985.

In the years 1986/87 and 1987/88 there was again an increase in education expenditures. The average annual growth was 3.16 percent for those years, a growth rate that exceeded population growth (estimated at 2 percent per year). Investment in fixed assets grew by an average 6.7 percent annually during the period, while current expenditures rose by 2.87 percent.

TABLE 1.2.2: TRENDS IN EDUCATION EXPENDITURES BY TYPE OF EXPENDITURE, 1979/80-1987/88
(in fixed 1986/87 prices, NIS millions)

Year	Total outlays	Total current outlays	Whereof: Pre-schools	Primary schools	Post-primary school	Further and higher	Investment in fixed assets
1979/80	3,585	3,196	295	908	794	793	376
1984/85	3,769	3,451	304	969	897	817	316
1985/86	3,741	3,451	304	916	927	828	290
1987/88	3,978	3,649	337	957	987	815	329

Average yearly percent growth:

Year	Total outlays	Total current outlays	Whereof: Pre-schools	Primary schools	Post-primary school	Further and higher	Investment in fixed assets
79/80 v. 84/85	1.03	1.60	0.61	1.34	2.60	0.60	-3.20
84/85 v. 85/86	-0.74	-	-	5.50	0.60	1.30	-8.20
85/86 v. 86/87	3.16	2.87	5.42	2.24	3.23	-0.80	6.70
79/80 v. 87/88 (including the period)	1.37	1.77	1.78	0.67	3.04	0.35	-1.56

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years.

Per-Capita Expenditure

Per-capita expenditure on education from all sources (government, non-profit, private) was estimated at NIS 926 in 1979/80. This figure dropped to NIS 915 in 1984/85 and NIS 893 in 1985/86. While an increase to NIS 919 followed in 1987/88, this was still 0.8 percent lower than in 1979/80.

According to Klinov, allocations of public resources per student in Israel are no worse than in Europe, but are lower than they were in 1980.[3] The difference in allocation has been covered by private funding of the public education system, but this substitution of private for public funding raises certain problems that must be taken into account when formulating education policy. The main problem is that the decrease in the government share and the rise in the families' share have again raised the specter of social inequality in the provision of educational services and the need for public resources to combat this inequality.

Klinov also concluded that real expenditures dropped throughout the Israeli education system in the 1980-86 period. The most salient decrease was in primary education (approximately 12 percent in real terms), with a similar drop (about 10 percent) in academic high schools and universities. A more moderate decline (3-4 percent) was detected in vocational education and junior high schools. In most sectors of the education system, the downtrend in expenditures came to a halt in 1986. Nevertheless, the reported decrease in expenditures for primary education is inflated since no data are available on the scope of private activity in primary education ("grey education"), in which parents pay for extra classes held after standard study hours. Researchers at the Szold Institute estimate that grey education existed in 38 percent of Jewish primary schools, at an average cost of $100 per pupil.[4]

Klinov concluded that real per-pupil outlays (in 1986 dollars) dropped from $809 in 1980 to $718 in 1986 in primary education, from $1,344 to $1,269 in junior high, and from $1,181 to $1,063 in academic post-primary schooling.[5]

Problems of International Comparison

In an international comparison of real per-capita expenditure, outlays for educational services in 1980 were higher in Israel than in most European Community countries and lower than those of Denmark and Belgium only. However, the researchers are very cautious as to the usefulness of such a comparison, since, as stated, there are many factors that are not reported in all countries (non-profit associations, household expenditures, etc.). Nevertheless, it appears that the level of educational services in Israel as compared with European countries was relatively high in 1980, both in terms of the average for different pupil age-groups, and the average cost per member of the labor force.

According to Klinov, one cannot make an international comparison of per-pupil expenditure for each level within the system.[6] The factor that best indicates per-pupil expenditure is average class size. In the researchers' opinion, the preliminary conclusion is that a high per-pupil expenditure in an international comparison apparently reflects low average class size. The small class size in primary and junior high schools is caused by the subdivision into enrollment areas and systems. In post-primary education, the low class size is mainly due to the high proportion of vocational schools, which have smaller classes than academic schools.

Other problems arise when one conducts an international comparison of per-pupil expenditure. Existing data make it possible to compare state government expenditure only, with no information available for an international comparison of expenditure by local authorities, non-profit organizations, and households. Another problem is that all the published international comparisons relate to all education levels as one entity, rather than treating each level (primary, secondary, etc.) separately. Erik Cohen discussed some of the problems of comparative education studies in his 1991 report for the Institute for the Study of Educational Systems.[7]

Government's Share in Education

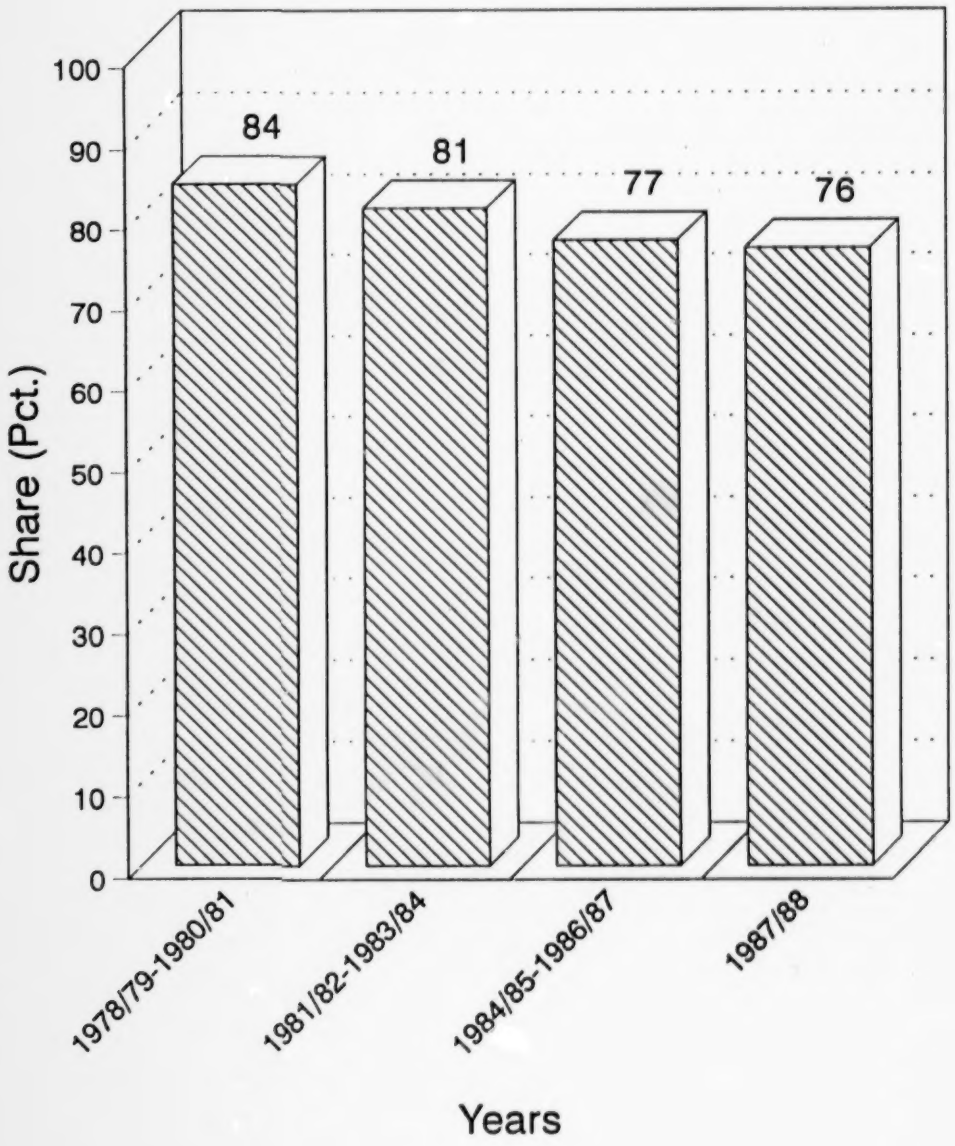
The sharp budget cuts in education expenditures in the 1980s by both the state government and the local authorities led to a decrease in the share of these government bodies in total education expenditures. This is illustrated in Table 1.2.3 and Figure 1.2.2. The data point to a sharp decrease in the share of state government and local authorities in total education expenditures: from 84 percent in 1978/79-1980/81 to 76-77 percent in 1984/85-1987/88. The difference was made up by educational services provided by non-profit organizations, as well as household expenditures for educational services, which almost doubled between 1984/85 and 1987/88. In other words, the share of families in financing educational services grew in this period.

TABLE 1.2.3: SHARE OF STATE GOVERNMENT AND LOCAL AUTHORITIES IN TOTAL NATIONAL EDUCATION EXPENDITURES, 1978/79-1987/88

Year	% of total education expenditures
1978/79-1980/81	84%
1981/82-1983/84	81
1984/85-1986/87	77
1987/88	76

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, No. 42, 1991.

Figure 1.2.2
Share of State Government and Local Authorities in Total Education Expenditures, 1978/79 - 1987/88



In May 1992, a public commission appointed by the Minister of Education recommended that responsibility for the funding of educational services be shared by the entire population, not only parents of schoolchildren. The Minister of Education had appointed the commission as part of his efforts to minimize, as far as possible, the financial burden on parents of pupils in the education system. The commission, composed of representatives of the ministry, parents' associations, teachers, and local authorities, felt that education should be viewed as an economic investment, not as a budget expenditure or a luxury. This would make it an enterprise that involved the entire nation, rather than merely the interests of its consumers — parents and children. Therefore, in the commission's opinion, the cost of education should be borne by the entire population and not parents alone, since quality, progressive education is above all a national interest of the highest order. In the meantime, said the commission, parents should be allowed to continue financing supplementary curricula, until the classroom hours curtailed in the 1980s are restored to the system.[8]

Major Spending Categories

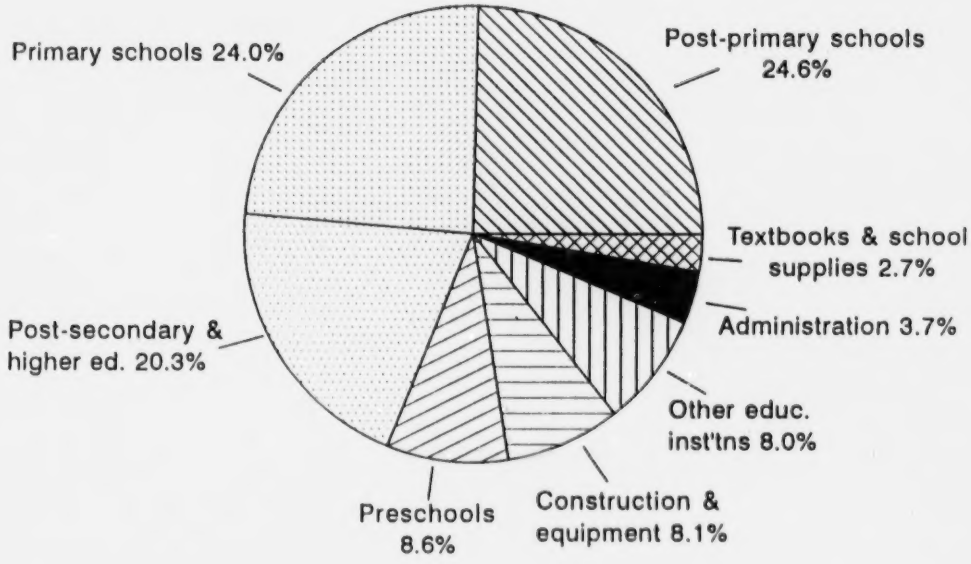
Table 1.2.4 and Figure 1.2.3 show the breakdown of education expenditures for the year 1987/88 by type of expenditure. About half (48.6 percent) went to primary and post-primary schools, about 20 percent to post-secondary and higher educational institutions, almost 9 percent to preschools, 8 percent to investment in construction and equipment, and 8 percent to other educational institutions.

TABLE 1.2.4: EDUCATION EXPENDITURES BY TYPE OF EXPENDITURE, 1987/88

	Percentage of total education expenditures
Administration	3.7%
Preschools	8.6
Primary schools	24.0
Post-primary schools	24.6
Post-secondary and higher education	20.3
Other educational institutions	8.0
Textbooks and school supplies	2.7
Construction and equipment	8.1

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, No. 42, 1991, p. 610. See also Ruth Klinov, 1991 (see note #3).

Figure 1.2.3
Education Expenditures by Type of Expenditure, 1987/88



Education's Share in Social Service Spending

Cuts in education expenditures were reflected in a marked drop in government education outlays as a share of total government expenditures for social services in 1980-1991, as can be seen in Table 1.2.5 and Figure 1.2.4 below. The figures point to a marked decrease in the share of social service resources allotted to educational services. Most of the decrease took place in 1985, when the Economic Stabilization Plan went into effect. A corresponding and even steeper increase was noted in resources allocated to income maintenance (a social security benefit awarded to any citizen whose income fails to reach a minimum level).

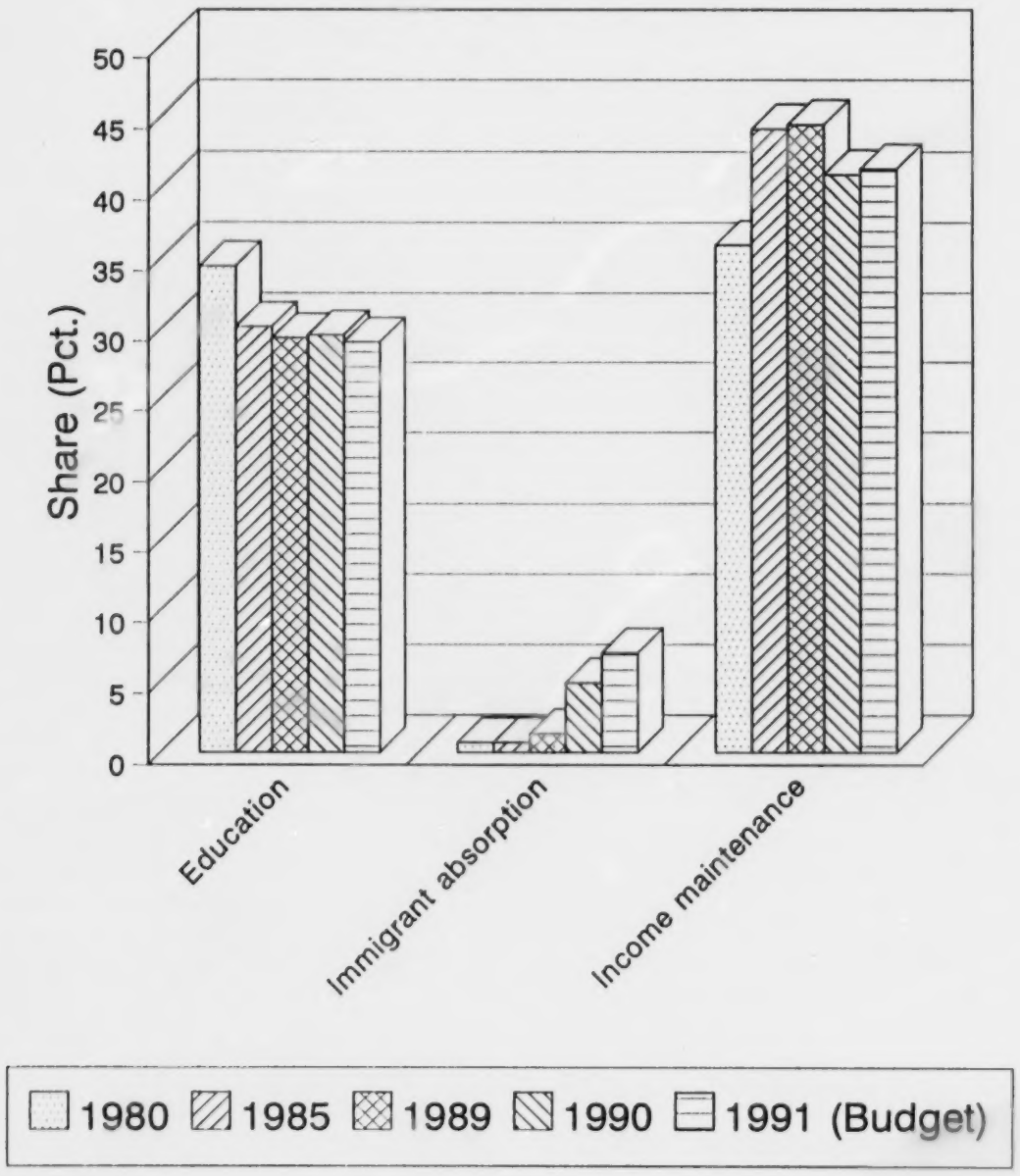
Since 1990, with the upturn in immigration, immigrant absorption allocations have risen appreciably: from 0.7 percent of social service outlays in 1980 to 1.3 percent in 1989, 4.9 percent in 1990, and 7.0 percent in 1991.

TABLE 1.2.5: EDUCATIONAL SERVICES AS A SHARE OF TOTAL SOCIAL SERVICE EXPENDITURES, 1980-1991 (SELECTED YEARS)
(in percent)

Major social services	1980	1985	1989	1990	1991 (budget)
Education	34.5	30.2	29.4	29.6	29.1
Immigrant absorption	0.7	0.7	1.3	4.9	7.0
Income maintenance	36.0	44.2	44.5	41.0	41.4

Source: Ministry of Education and Culture, *The Education System in Numbers*, 1992, p. 58 (Hebrew).

Figure 1.2.4
Educational Services as a Share of Total Social Service Expenditures, 1980-1991 (Selected Years)



Education as a State Budget Priority

The data in Table 1.2.6 and Figure 1.2.5 show that the share of the state budget allocated to education decreased during the years 1979-1985. In 1979, 9.73 percent of the total state budget was allocated to education; this percentage dropped to 8.59 percent in 1981 and to 6.52 percent in 1985. After 1985 there was an upturn: to 9.42 percent in 1987, 10.14 percent in 1988, 10.26 percent in 1989 (budget) and 10.45 percent in 1990 (budget).

A similar trend occurred in the education budget as a share of total civilian budget expenditures (defined as the total state budget less defense expenditures). The data show that education expenditures accounted for 17.72 percent of civilian expenditures in 1979, dropped sharply to 13.57 percent in 1981, and continued to decrease steadily until 1985. The share of education in the civilian budget then began to climb, reaching 14.17 percent of civilian expenditure in 1987, 14.72 percent in 1988, and then levelling off to 14.40 percent in 1989 (budget) and 14.48 percent in 1990 (budget). Consequently, the education budget as a proportion of the civilian budget was about 19 percent less in 1989 and 1990 than in 1979.

The defense budget behaved similarly, to a certain extent. The share of defense in the total budget fell from 45.08 percent in 1979 to 36.67 percent in 1981, rose to 37.08 percent in 1985, and decreased again to 33.51 percent in 1987, 31.13 percent in 1988, 28.75 percent in 1989 (budget), and 27.81 percent in 1990 (budget). Thus, unlike the education budget, the defense budget did not grow in the second half of the 1980s.

One of the major reasons for the 1981 decline of both education and defense as a share of the state budget was the major increase in price stabilization subsidies prior to the Knesset elections of June 30, 1981, which caused a relative decline in other budget items.

TABLE 1.2.6: SHARE OF EDUCATION AND DEFENSE IN TOTAL EXPENDITURES, 1979-1990

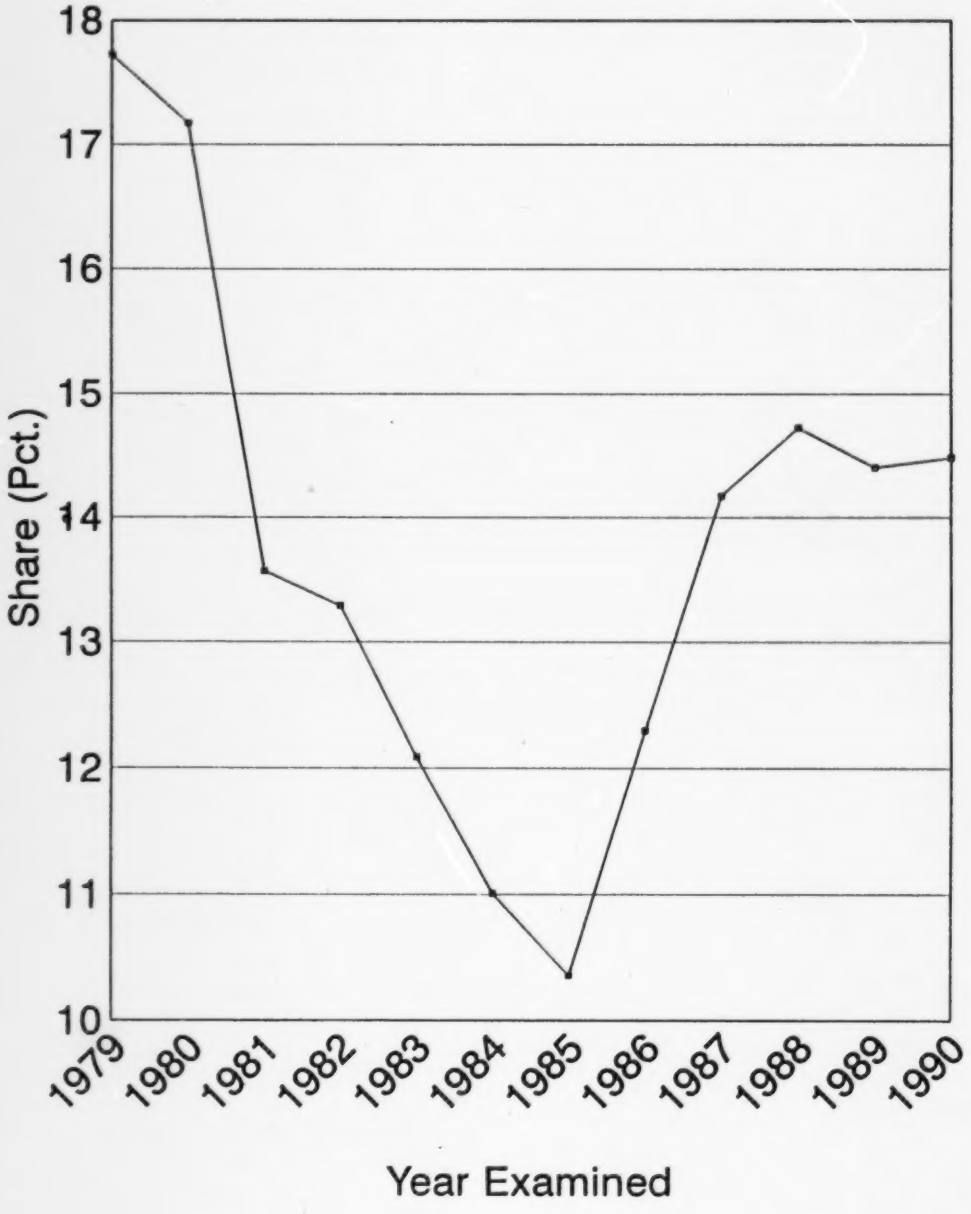
(NIS thousands; in 1988 prices)

Spending, Regular Budget	Government	Defense	Civilian	Education
1979 Spending	28,572,457	12,879,841	15,692,616	2,781,471
1980 Spending	28,285,927	12,182,516	16,103,411	2,764,890
1981 Spending	33,306,955	12,213,956	21,093,000	2,862,189
1982 Spending	34,631,012	11,891,658	22,739,354	3,020,953
1983 Spending	34,672,844	12,242,624	22,430,220	2,710,856
1984 Spending	38,451,314	12,954,215	25,497,098	2,806,946
1985 Spending	32,191,950	11,936,774	20,255,176	2,098,916
1986 Spending	32,373,791	11,421,473	20,952,318	2,576,953
1987 Spending	32,043,156	10,737,661	21,305,495	3,018.465
1988 Spending	31,800,000	9,899,340	21,900,660	3,224,520

Spending, Regular Budget	Education as pct. of govt.	Defense as pct. of govt.	Education as pct. of civil
1979 Spending	9.73	45.08	17.72
1980 Spending	9.77	43.07	17.17
1981 Spending	8.59	36.67	13.57
1982 Spending	8.72	34.34	13.29
1983 Spending	7.82	35.31	12.09
1984 Spending	7.30	33.69	11.01
1985 Spending	6.52	37.08	10.36
1986 Spending	7.96	35.28	12.30
1987 Spending	9.42	33.51	14.17
1988 Spending	10.14	31.13	14.72
1989 Budget	10.26	28.75	14.40
1990 Budget	10.45	27.81	14.48

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years.

Figure 1.2.5
Share of Education in Non-Defense Spending, 1979-1990



How sharply was the Ministry of Education budget reduced in the 1980s? Sharkansky believes that the ministry budget was reduced by 24.4 percent in real terms between 1977 and 1984.[9]

Ministry of Education data show that government spending on education increased by 8.5 percent (inflation-adjusted) between 1979 and 1988. Population growth during the same period was 16.6 percent. Thus, again in inflation-adjusted terms, per-capita governmental education expenditures actually fell from NIS 746 to NIS 719. Although the situation has been improving since 1985, per capita education expenditures had still not recovered to the level of 1979.

Total civilian expenditures in the state budget increased by 35.8 percent in real terms between 1979 and 1987; education expenditure rose by a mere 8.5 percent during the same period.

Table 1.2.7 presents data on education expenditures from 1979 to 1988, looking at the education budget in absolute terms and as a share of the total state budget. The data show that there was no increase in per-capita state expenditure on education for the period, but actually a small real decrease of 0.7 percent. The state budget as a whole, however, showed an average per-capita increase of 1.8 percent per annum.

In dollar terms, per-capita state budget expenditures for education in 1988 totalled $499, compared with $3,052 per-capita for all civilian expenditures.

TABLE 1.2.7: GROWTH OF EDUCATION EXPENDITURES, 1979-1988
(NIS millions; 1988 prices — inflation adjusted)

	Education Expenditures		Total budget (excl. Defense)		Per-capita expenditure: Education Expenditures		Per-capita expenditure: Total budget (excl. Defense)	
Year	Amount	% yearly growth	Amount	% yearly growth	Amount	% yearly growth	Amount	% yearly growth
1979	2,781	–	15,693	–	746	–	4,212	–
1980	2,765	-0.6	16,103	2.6	722	-3.2	4,207	-0.1
1981	2,862	3.5	21,093	31.0	736	1.9	5,421	28.9
1982	3,021	5.6	22,740	7.8	770	4.6	5,794	6.9
1983	2,711	-10.3	22,430	-1.4	685	-11.1	5,664	-2.2
1984	2,807	3.5	25,497	13.7	681	-0.6	6,187	9.2
1985	2,099	-25.2	20,255	-20.6	501	-26.4	4,838	-21.8
1986	2,577	22.8	20.952	3.4	606	21.0	4,930	1.9
1987	3,018	17.1	21,305	1.7	697	15.1	4,924	-0.1
1988	3,225	6.9	21,901	2.8	719	3.2	4,883	-0.8
Expenditures in U.S. dollar terms								
1988	$2 billion		$13.7 billion		$449		$3,052	

Itemization by Subperiods

	Total Expenditures Avg. Yearly Growth (%)		Per-capita expenditure Avg. Yearly Growth (%)	
	Education	Total Budget	Education	Total Budget
1979 v. 1984	0.2	12.5	-1.8	9.4
1984 v. 1985	-25.2	-20.6	-26.4	-21.8
1985 v. 1988	10.7	1.6	8.7	0.2
% yearly average growth, 1979-1988	1.8	4.4	-0.7	1.8
Total % growth throughout period	16	39.6	-3.6	15.9

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years.

A review of the education budget in the 1980s reveals three distinct subperiods:

(1) During the first subperiod — 1979-1984 — there was a decline of 1.8 percent in state per-capita expenditure for education, while per-capita expenditure in the state budget as a whole rose by 9.4 percent.

(2) During the second subperiod — 1985 — there was a very significant decrease (26.4 percent) in state per-capita expenditure for education. There was a corresponding, though smaller, decline (21.8 percent) in per-capita spending in the state budget as a whole. The main cause of this decrease was the Economic Stabilization Plan introduced on July 1, 1985, one of whose main objectives was to cut state expenditures.

(3) During the third period — 1986-1988 — there was an 8.7 percent increase in per-capita state expenditure for education, while per-capita outlays in the state budget as a whole remained static (a rise of a mere 0.2 percent).

In the second half of the 1980s, there was a gratifying reverse trend toward consistent and significant growth of per-capita state budgets for education. Per-capita outlays for education grew by 21 percent in 1986 and 15 percent in 1987. In 1988, the per-capita annual growth rate declined to 3.2 percent. However, even the increased education budgets of the second half of the 1980s did not fully compensate for the drastic cutbacks in the first half of the decade (particularly in 1983 and 1985). Thus, the period as a whole showed a real decrease of 3.6 percent in per-capita education outlays in the state budget; at the same time, total per-capita civilian expenditures in the state budget grew by 15.9 percent in real terms.

Budgeting is a reflection of policy and priorities. The fact that the education budget dropped in real terms in the 1980s shows that lower priority was given to education in those years and that the quantity of state resources allocated to education did not permit this activity to maintain its real level. Cuts in the education budget resulted in shorter school days and reductions in services such as school meals and equipment for special subjects (music, crafts, agriculture), etc.

1.3 The Rise of Supplementary and Alternative Education

Hours Per Pupil

The protracted cutbacks in the Ministry of Education budget triggered a contraction of pupils' formal hours of study and the diversity of subjects studied, to name only two of the effects.[10] As shown in Table 1.3.1 and Figure 1.3.1, the average number of hours allotted per pupil (the standard allocation divided by total enrollment) decreased at all levels of education (primary, junior high, and senior high) between 1979/80 and 1989/90: 7 percent in primary schools, 18 percent in junior high, and 6 percent at the senior high level. These cutbacks, according to ministry figures, led to a decrease in enrichment programs offered in the schools in such fields as social activities, culture, and the arts.

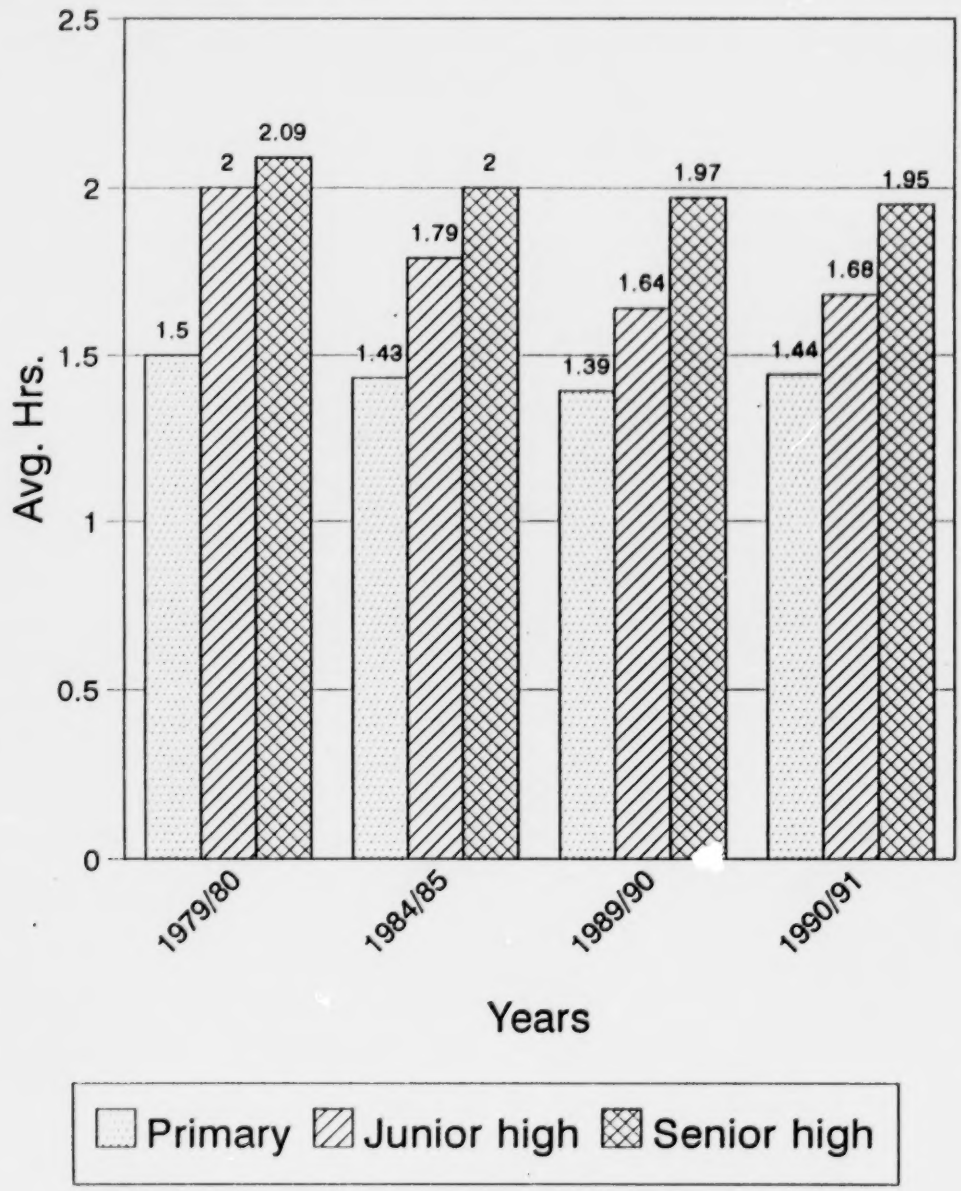
According to the most recent data (for the year 1990/91), there has been some improvement in average hours per pupil, though the average has still not regained its 1979/80 level.

TABLE 1.3.1: AVERAGE HOURS PER PUPIL, BY LEVEL OF EDUCATION, 1979/80-1990/91 (SELECTED YEARS)

	1979/80	1984/85	1989/90	1990/91
Primary	1.50	1.43	1.39	1.44
Junior high	2.00	1.79	1.64	1.68
Senior high	2.09	2.00	1.97	1.95

Source: Ministry of Education, Senior Economic and Budget Division, 1990/91, "Facts and Figures on the Education and Culture System in Israel," p. 66.

Figure 1.3.1
Average Hours Per Pupil, by Level of Education, 1979/80-1990/91 (Selected Years)



Grey Education and the Extended School Day

The protracted cutbacks in classroom hours throughout the 1980s affected various scholastic and enrichment activities and gave rise to "grey education," hours of study funded mainly by parents or local authorities that augment those hours provided by the Ministry of Education. Since such supplementary curricula are available mostly in affluent areas, the possibility that only children of the well-to-do will benefit, to the exclusion of the disadvantaged, is a real and present danger. In response, the ministry decided in December 1989 to introduce an extended school day, designed to reduce these distortions and elevate education to the status it deserves for all population groups.[11]

Another factor contributing to the need for an extended school day is the unsatisfactory level of scholastic achievement among pupils in certain parts of the system. In October 1991, the Ministry of Education released the results of a national achievement test in arithmetic for grades four and five. Some 26 percent of Jewish and 65 percent of Arab fifth graders failed a basic test meant to assess the most rudimentary knowledge. These results point to the need to reconsider the past steep cutbacks in education.

The objectives of the extended school day are therefore to improve scholastic achievement; provide cultural enrichment, expose students to the sciences, and promote national and universal values; and, in the State-Religious system, to reinforce Jewish and religious studies.

In 1990/91, the extended school day was introduced in communities in development areas, along the northern and eastern borders, in disadvantaged areas including urban neighborhoods, and in schools where the share of disadvantaged pupils was at least 35 percent. Some 540 schools — primary, junior high, and special education — were included, representing about 20 percent of all schools in the system. The 1992 budget will extend the program to 700 schools nationwide.

Immigrant Education

The Ministry of Education helps narrow the gap between immigrant and non-immigrant children by financing remedial lessons, promoting summer Hebrew language courses (*ulpanim*) for immigrants, developing special curricula, and offering special courses for teachers of immigrant children. In early 1991, the Ministry was planning to provide support for approximately 10,000 immigrant pupils who met its criteria.

Alternative Educational Subsystems

The budget cuts and, in turn, the reduction of classroom hours, also stimulated a burgeoning of alternative education subsystems. Thus, for example, a strengthened Jewish studies program (Tali) was introduced in a number of schools. In addition, the Noam network offering a *haredi*-Zionist ambience came into being. The justification for establishing these programs was the Ministry of Education's policy offering parents the right to participate in setting 25 percent of the curriculum.

The Shas party, in turn, has established a network of preschools which, over the years, may evolve into an additional school system (joining the State, State-Religious, and Independent systems). The importance of these alternative education frameworks may lie not in who runs them but in the motives for their establishment. The major motive is public pressure for quality schooling with the quantity and variety that had existed in the pre-cutback period.

Parents have had to pay directly in order to sustain these alternative education subsystems. Kurtz and Lehman-Wilzig found that parents reported having been charged in the 1980s for activity groups formerly offered as part of formal education. Sixty-four percent of the parents reported having paid for such groups; among them, 17.4 percent said that they had paid "very large sums," 20.6 percent "large sums," and 25.6 percent "certain sums."[12]

The development of alternative education subsystems for which fees are charged has vitiated the component of free education, since full education, defined as education at the level preceding the cutbacks, is now quite costly to parents.

In the Jewish sector, there was increased local authority and parental funding of non-formal education, as offered in such settings as clubs, community centers, and sports facilities. Formal schooling in Jewish communities was also reinforced by means of private financing of supplementary curricula or special scholastic projects. In the Arab sector, by contrast, there is almost no private funding of education projects; the frameworks that provide such funding in the Jewish sector — parents' associations and educational systems such as ORT and Amal — did not operate in the minority communities. Thus, for the minorities, public sector allocations for education, whether from the state government or local authorities, comprise net spending.

1.4 The Impact of External Factors on Budget Policy

The comparisons in Table 1.4.1, Figure 1.4.1, Table 1.4.2, and Figure 1.4.2 refer to fiscal years in the 1980s in which special events took place. Thus, for example, 1981/82 was an election year, and 1985/86 was the year of the Economic Stabilization Plan. These data are presented separately in order to emphasize the changes in budget policy on the macro level and in the education budget for these years.

The data indicate that most of the budget growth is attributable to two main factors:

(1) Interest expenditures: The share of such expenditure in the state budget rose from 11.48 percent in 1979/80 to 17.9 percent in 1981/82 — a 56 percent increase. This was the result of loans taken out by the state in previous years.

(2) Price stabilization subsidies: This item in the budget was earmarked for manufacturers and suppliers of subsidized goods and was used to prevent price increases. The major subsidized goods were basic commodities such as bread, milk, and other staples, as well as public transport.

Price-stabilization subsidies grew from 4.69 percent of the budget in 1979/80 to 11.16 percent in 1981/82, i.e., 138 percent growth. Attempts to prevent price increases during election campaigns are commonplace.[13] Thus the government, with an eye on the approaching 1981 elections, prevented increases in the prices of basic commodities by increasing subsidies.

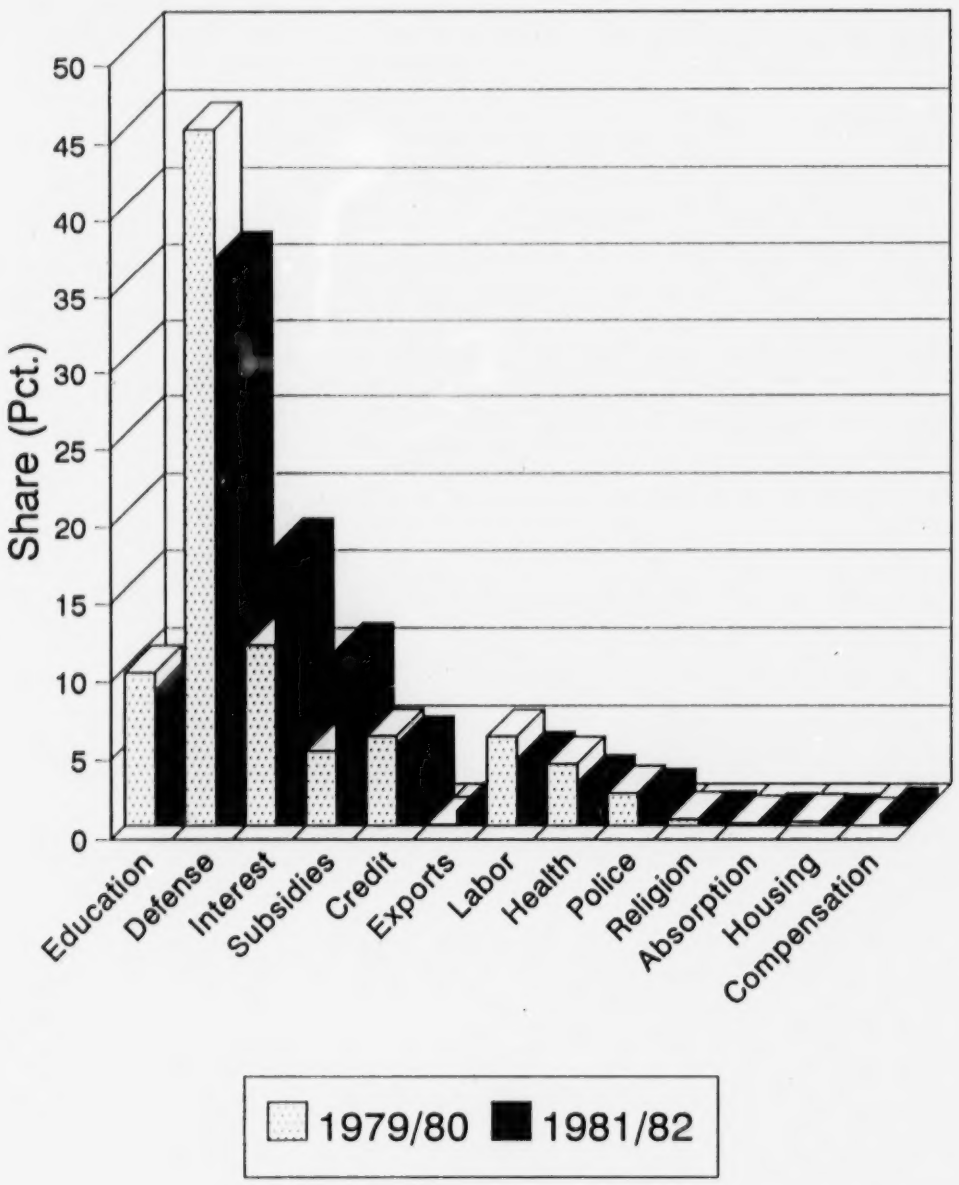
As a result of these two major factors — interest and subsidy payments — their share of the budget grew at the expense of other functions, particularly education and defense. The decline in the share of education in the budget, even during an election year, attested to a change in priorities.

TABLE 1.4.1: REGULAR STATE BUDGET EXPENDITURES, BY FUNCTION, 1979/80 AND 1981/82
(in percent)

	1979/80	1981/82
Ministry of Education	9.73	8.59
Ministry of Defense	45.08	36.67
Interest payments	11.48	17.90
Price stabilization subsidies	4.69	11.16
Credit subsidies (including housing)	5.67	5.18
Development of export markets	0.06	0.94
Ministry of Labor and Social Affairs	5.64	4.18
Ministry of Health	3.88	2.69
Ministry of Police	2.03	1.80
Ministry of Religious Affairs	0.39	0.41
Ministry of Immigrant Absorption	0.14	0.27
Ministry of Construction and Housing	0.24	0.21
Compensation for Sinai residents	-	0.67

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years.

Figure 1.4.1
Regular State Budget Expenditures, by Function, 1979/80 and 1981/82



The share of the budget apportioned to education was reduced again in 1985/86, as may be seen in Table 1.4.2 and Figure 1.4.2. The data show that the major change in the 1985/86 budget when compared with that of 1981/82 was a substantial reduction in price subsidies from 11.16 percent to 4.45 percent, reflecting the end of the 1981 election economy. By contrast, the elections preceding 1985/86 were held in November 1984 (fiscal 1984/85). Thus in 1985/86 there was no need to subsidize prices in order to prevent price increases of basic commodities with intent to ensure popular support. On the other hand, the defense budget was increased by one-half of one percent in 1985/86. The share of the Ministry of Labor grew from 4.18 percent in 1981/1982 to 6.59 percent in 1985/86.

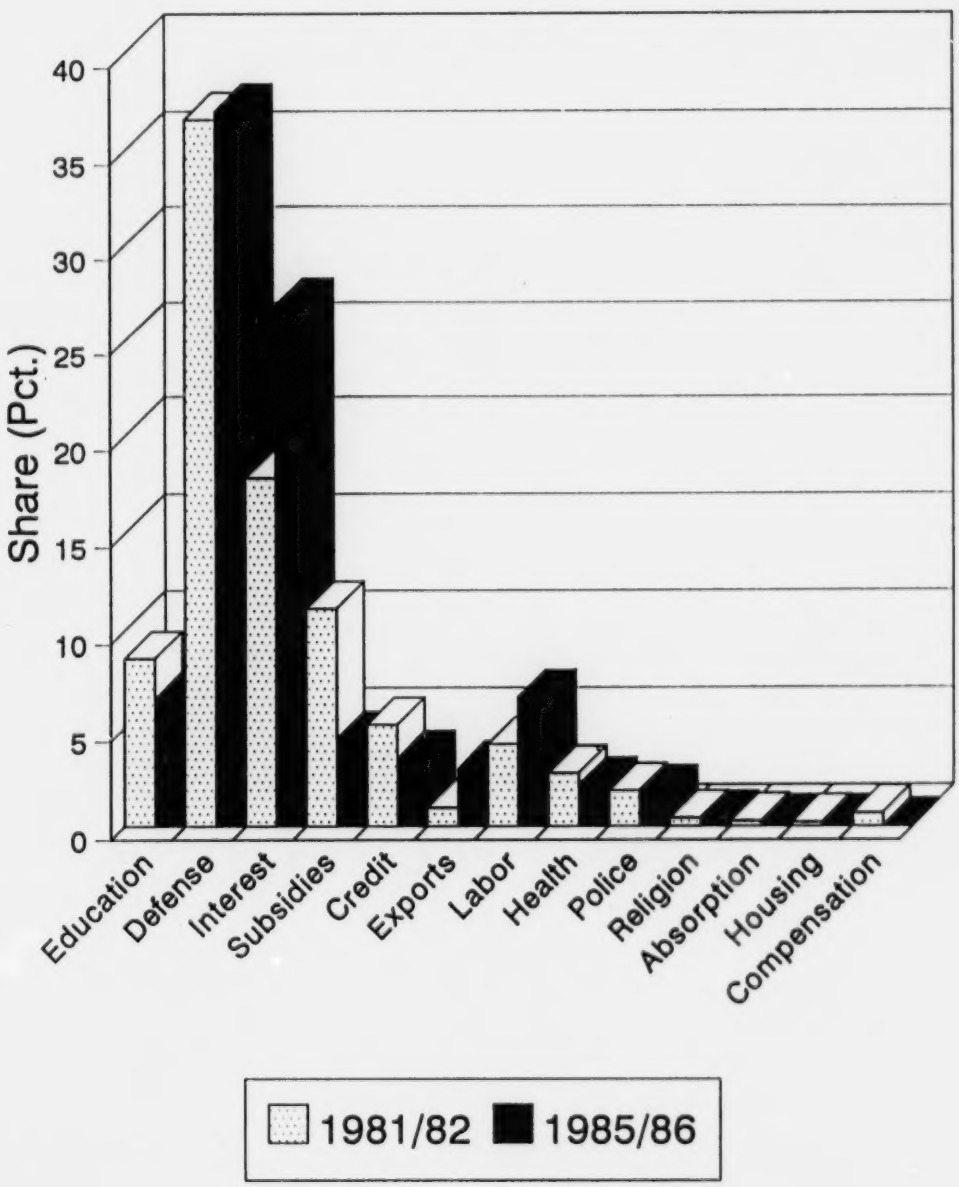
The dominant factor in the 1985/86 budget, however, was the share of interest payments. This parameter grew from 17.90 percent in 1981/82 to 26.91 percent in 1985/86. Interest expenditures have become an increasingly dominant factor in the state budget, growing by roughly 250 percent between 1979/80 and 1985/86 (from 11.48 to 26.91 percent). This proportion subsequently declined to 22.8 percent in 1987/88, but even this rate is twice as high as that of 1979. Here, too, the continuing decline in the education budget is evident. In the year of the Economic Stabilization Plan (1985/86), education contributed a significant share in reducing relative outlays in the state budget as a whole. The share of the Ministry of Education in the state budget plunged by 24 percent, from 8.59 percent in 1981/82 to 6.52 percent in 1985/86. This was caused chiefly by a decrease in the number of hours allocated to the education system.[14]

TABLE 1.4.2: REGULAR STATE BUDGET EXPENDITURES, BY FUNCTION, 1981/82 AND 1985/86
(in percent)

	1981/82	1985/86
Ministry of Education	8.59	6.52
Ministry of Defense	36.67	37.08
Interest payments	17.90	26.91
Price stabilization subsidies	11.16	4.45
Credit subsidies	5.18	3.44
Development of export markets	0.94	2.92
Ministry of Labor and Social Affairs	4.18	6.59
Ministry of Health	2.69	2.08
Ministry of Police	1.80	1.67
Ministry of Religious Affairs	0.41	0.37
Ministry of Immigrant Absorption	0.27	0.18
Ministry of Construction and Housing	0.21	0.17
Compensation for Sinai residents	0.67	-

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years.

Figure 1.4.2
Regular State Budget Expenditures, by Function, 1981/82 and 1985/86



After 1985/86, the share of education in the state budget recovered, as shown in Table 1.4.3. The data point to three major changes in the period from 1985/86 to 1990/91: a decrease in the share of the defense budget from 37.08 percent to 27.81 percent, a decrease in the share of interest payments from 26.91 percent to 21.13 percent, and a further decrease in the share of price subsidies from 4.45 percent in 1985/86 to 1.99 percent in 1990/91.

These three changes made it possible to allocate larger resources to the Ministry of Education (from 6.52 percent in 1985/86 to 10.45 percent in 1990/91), and the Ministry of Labor and Social Affairs (from 6.59 percent in 1985/86 to 11.62 percent in 1990/91).

TABLE 1.4.3: SELECTED STATE BUDGET EXPENDITURES, 1985/86-1990/91 (in percent)

	1985/86 Actual	1987/88 Actual	1988/89 Actual	1989/90 Budget	1990/91 Budget
Ministry of Education	6.52	9.42	10.14	10.26	10.45
Ministry of Defense	37.08	33.51	31.13	28.75	27.81
Interest payments	26.91	22.80	21.50	22.20	21.53
Price stabilization subsidies	4.45	3.26	3.62	1.81	1.99
Credit subsidies	3.44	3.28	1.76	1.62	1.23
Ministry of Labor	6.59	12.02	13.53	13.25	11.62
Ministry of Health	2.08	1.78	1.87	1.52	1.58
Ministry of Immigrant Absorption	0.18	0.22	0.25	0.22	0.63

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years.

1.5 Planned Versus Actual Budget Expenditures

A budget is a financial manifestation of the policies of public and business organizations. Objectives and goals are set forth in financial terms to be implemented during the fiscal year. One may examine the extent to which the policies have been carried out by comparing the planned budget with actual spending (implementation) in each fiscal year. Disparities between the budget and its implementation are largely attributable to policy changes that took place during the fiscal year. The present study examined the disparities between planning and implementation, i.e., disparities between policies drawn up at the beginning of the year when the budget was first set forth, and implementation of these policies as reflected in actual expenditures.

Table 1.5.1 shows the annual percentage disparity between planned and actual government expenditures in the total budget for the years 1968 to 1988. For each year, the percentage disparity between planned and actual expenditures is calculated with reference to the total budget, the regular budget, the development budget, and certain other factors. Table 1.5.1 also shows the average annual disparity over twenty-one years between the original budget and actual spending.

Table 1.5.1 indicates that the percentage disparity in the regular budget is not usually high. However, larger deviations became apparent just before elections. In 1969, for example, the disparity in the regular budget was only 7.4 percent, while the development budget showed a disparity of 26 percent. In 1973, the disparity in the regular budget was 68 percent while that of the development budget was 25 percent. Some of the disparity in 1973 was caused by the defense budget following the Yom Kippur War; the rest was caused by the election campaign.

In 1984/85, too, the regular budget showed a major disparity (61 percent), perhaps influenced partly by the general elections of November 1984 and the municipal elections in November 1983. The reason municipal elections affected the state budget is that the Ministry of Interior had to disburse funds after the elections to local authorities that had amassed debts because of the elections.

TABLE 1.5.1: ANNUAL DISPARITY BETWEEN PLANNED AND ACTUAL GOVERNMENT EXPENDITURES IN TOTAL BUDGET, 1968-1988
(in percent)

	Total Budget Disparity				Development Budget and Debt Repayment		
Year	Total	Regular Budget	Development Budget and Debt Repayment	Business Enterprises	State Lottery	Tourism	Housing
1968	12.0	16.0	18.0	19.0	-14.7	54.0	14.6
1969	10.6	7.4	26.0	2.0	18.0	157.0	70.0
1970	10.8	14.9	-2.5	11.3	-7.8	16.3	70.0
1971	11.2	7.1	12.0	35.7	6.4	27.8	45.5
1972	20.6	10.8	24.0	71.5	-8.0	8.3	7.8
1973	58.0	67.8	25.0	63.0	11.1	-0.1	13.5
1974	0.0	17.3	12.8	10.3	-36.0	248.9	25.5
1975	11.1	11.6	10.4	9.3	-1.8	267.0	-2.7
1976	14.0	3.1	-3.2	-10.0	-215.0	-7.3	-6.0
1977	10.0	11.2	13.4	-4.0	23.3	8.9	0.8
1978	11.9	11.0	12.3	16.4	-2.5	18.2	0.6
1979	40.6	36.8	32.7	81.7	27.4	-0.8	45.7
1980	50.8	49.0	61.8	39.3	16.0	11.3	23.6
1981	7.7	18.0	-4.5	4.7	10.6	9.6	3.5
1982	11.5	13.7	11.6	-6.0	13.0	-27.0	11.2
1983	46.0	76.0	6.5	-29.0	13.6	-41.0	28.0
1984	92.0	61.0	-0.4	94.0	-130.0	-210.0	-170.0
1985	62.0	39.5	23.0	27.0	60.0	46.0	72.0
1986	24.3	17.0	40.0	-10.0	400.0	490.0	345.0
1987	12.0	3.4	0.1	-22.8	105.0	48.0	28.0
1988	12.3	2.0	31.3	-12.0	27.3	21.0	15.0
21-yr avg.	25.0	23.0	16.0	20.0	15.0	48.0	27.0

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years.

Table 1.5.2 and Figure 1.5.1 provide data on disparities between planned and actual state budget outlays per ministry between 1968 and 1988. The data, averaged over the twenty-one years of the survey, show no significant disparities between the Ministry of Education and the other ministries. The disparity in the defense budget in 1973 was caused by the Yom Kippur War; those of 1983 and 1984 were caused by the Lebanon War. However, large disparities between the planned and actual defense budgets continued in 1985 and 1986. Especially large disparities were also evident in the Health Ministry, the Ministry of Religious Affairs, and the Interior Ministry.

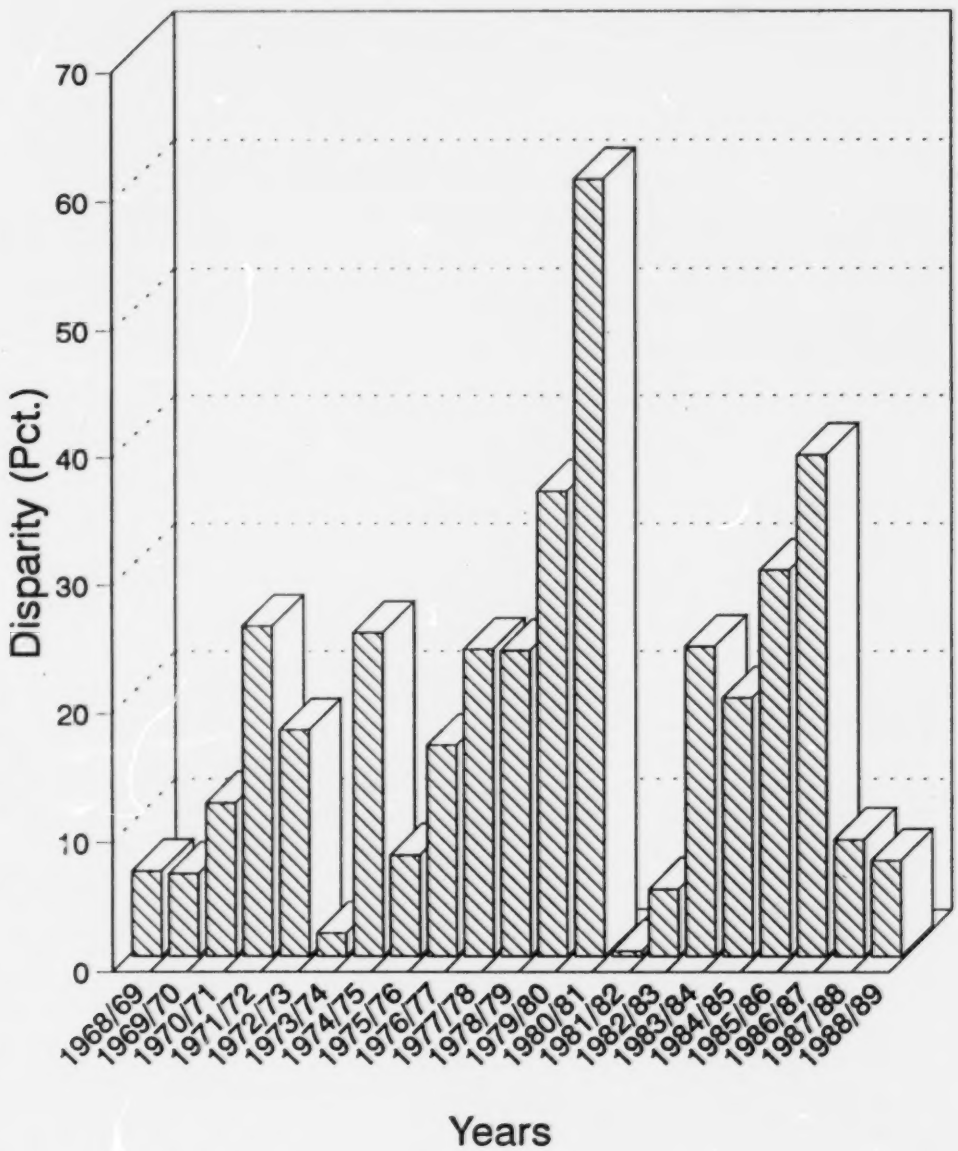
TABLE 1.5.2: ANNUAL DISPARITY BETWEEN PLANNED AND ACTUAL GOVERNMENT EXPENDITURES, BY MINISTRY, 1968-1988
(in percent)

	Regular Budget — Government Ministries									Economic Enterprises	
Year	Immigrant Absorption	Finance	Defense	Health	Religious Affairs	Education	Interior	Housing	Party funding	Treasury projects	Housing projects
1968	100.0	-16.0	35.0	6.6	12.8	6.6	1690.0	-9.0	-	-	-
1969	-8.0	-8.0	19.6	2.2	21.0	6.4	11.0	-12.0	-	-	-
1970	-11.0	1.4	28.0	8.5	13.5	11.8	0	-17.0	-	-	-
1971	1.9	-0.7	6.8	33.5	24.7	25.6	-7.8	-33.0	-	-	100.0
1972	12.3	2.5	12.4	32.6	21.0	17.5	0.7	-39.0	-	-	100.0
1973	-38.0	2.1	153.0	32.6	52.0	11.8	3.3	-27.0	100.0	-	3.2
1974	8.5	30.8	12.6	48.0	44.6	25.1	-2.5	61.7	100.0	-	29.4
1975	-14.0	4.0	14.8	2.1	22.7	7.8	2.2	23.8	22.7	-	6.4
1976	20.2	4.8	6.9	40.8	37.0	16.3	9.4	34.8	52.7	-2.0	-38.0
1977	6.9	19.0	11.0	79.2	53.2	23.8	-2.2	19.9	-17.0	2.2	-0.5
1978	16.5	8.2	8.7	37.4	60.0	23.7	190.2	3.3	19.4	11.0	-0.8
1979	18.8	25.4	64.1	95.7	80.7	36.2	30.4	8.6	89.6	-11.6	87.2
1980	9.3	43.0	46.8	93.8	50.4	60.6	30.0	26.0	25.0	29.8	31.3
1981	-33.2	6.2	2.0	28.6	64.4	0.4	-5.4	-11.8	17.7	-10.0	9.9
1982	-12.7	2.2	10.6	38.4	2.5	5.2	-15.0	-8.3	56.6	-29.0	-0.1
1983	10.2	40.0	48.2	55.3	24.6	24.0	71.1	20.2	-7.5	-2.4	26.9
1984	6.0	9.3	46.0	35.0	13.6	20.0	109.0	0	466.0	92.0	76.0
1985	19.0	63.0	85.0	78.0	36.0	30.0	48.0	47.0	88.8	54.0	42.0
1986	22.5	62.0	65.0	-49.0	91.0	39.0	5.0	145.0	-71.0	-50.0	-5.0
1987	20.0	8.4	11.6	9.7	23.4	9.0	14.0	8.6	4.6	-0.3	7.8
1988	34.7	7.9	9.8	32.8	6.0	7.4	87.0	-2.0	330.0	-7.0	-26.0
21-yr avg.	12	17	33	41	36	19	29*	11	80	6	25

* Not including 1968.

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years.

Figure 1.5.1
Annual Disparity between Planned and Actual Government Expenditures, Ministry of Education, 1968-1988



CHAPTER 2

THE DEVELOPMENT OF EDUCATIONAL SERVICES

2.1 Kindergartens

Children who reach the age of five by the 1st of Tevet (roughly the first of January) must attend kindergarten, known in Hebrew as *gan hova*, literally "compulsory kindergarten," under the Compulsory Education Law, 5711-1951. Thus these compulsory kindergartens function by force of the Compulsory Education Law, with financial and operational responsibility vested in the Ministry of Education and Culture (hereafter: the Ministry of Education) and the relevant local authority.

The Ministry of Education pays the wages of kindergarten teachers and assistants. Operating expenses are covered by the local authority or other kindergarten owners.

The criteria for ministry participation allocate one teaching post and one assistant teaching post for every 35 children of compulsory kindergarten age.

The data in Table 2.1.1 summarize all teaching posts for compulsory and non-compulsory kindergartens (including the minorities sector). The data show annual growth of 1.4 percent in the number of posts allocated to kindergartens between 1985/86 and 1991/92.

TABLE 2.1.1: PRESCHOOL TEACHING POSTS, 1985/86-1990/91

Year	Teaching Posts
1985/86	5,750
1986/87	6,073
1987/88	6,110
1988/89	6,316
1989/90	6,392
1990/91	6,408

Source: Notes to the 1991 Ministry of Education Budget, p. 178.

The Ministry of Education also encourages the provision of a non-compulsory kindergarten system or nursery schools for the 3-4 age group, to which the Compulsory Education Law does not apply. Since the law does not mandate the operation of pre-compulsory kindergartens, local authorities are under no obligation to provide them.

To finance the upkeep of kindergartens, relatively affluent municipalities and local councils charge staggered tuition fees. (In 1989/90 this accounted for 80,402 pupils.) The parents' contribution is determined by average per-capita income ranked on a ten-level scale. The difference between the parents' contribution and the full cost of tuition is made up by the

Ministry of Education (75 percent) and the local authority (25 percent). In 1989/90, parents paid 76 percent of the total cost of tuition, on average. The remaining 24 percent was covered by the Ministry of Education (75 percent) and the local authority (25 percent).

Parents of pupils in "development towns" (24,622 pupils in 1989/90) are exempt from kindergarten tuition fees. The cost of kindergarten upkeep in these towns is borne entirely by the Ministry of Education.

In new communities, parents pay 10-20 percent of the tuition cost (6,701 pupils in 1989/90); the remainder is covered by the Ministry of Education.

Table 2.1.2 summarizes enrollment in compulsory and pre-compulsory kindergartens in the years 1983/84-1989/90 (thousands of pupils, Jewish sector). The data show that kindergarten enrollment (pre-compulsory and compulsory) has not increased significantly. Enrollment growth between 1985/86 and 1989/90 was only 7.3 percent, whereas the number of teaching posts in the same period rose by 11.2 percent. Thus the average class size, and pupils per teaching post, decreased during the period under review.

TABLE 2.1.2: PRESCHOOL ENROLLMENT, 1983/84-1989/90

	N(000)	Annual Pct. Change
1983/84	198.6	-5.24
1984/85	201.6	1.51
1985/86	206.7	2.53
1986/87	210.9	2.03
1987/88	214.5	1.71
1988/89	220.9	2.98
1989/90	221.8	0.41

Source: Notes to the 1991 Ministry of Education budget, p. 183.

2.2 Primary Education

Primary education is provided for pupils in grades 1-6. The Compulsory Education Law requires parents to ensure attendance.

The wages of primary school teachers are paid by the Ministry of Education. The local authorities bear the operating costs of primary schools. The Ministry of Education helps fund the local authorities' school-upkeep expenses under criteria that it sets; these constitute the ministry-approved "basket of services." This "basket of services" is based on tenured posts per pupil/class, as spelled out below:

School custodians: One custodian post is allotted per 4.44 classes. The ministry bears the entire expense, computed as the average cost of a medium-grade post, for 11.5 months of the year.

Secretarial staff: One secretarial staff position is allotted for every 14 classes. The ministry bears the full expense for 12 months of the year, at the cost of a medium-grade post (13 years' seniority).

Table 2.2.1 summarizes the total number of classes and custodial and secretarial posts in 1990/91:

TABLE 2.2.1: CLASSES, CUSTODIAL POSTS, AND SECRETARIAL POSTS IN PRIMARY SCHOOLS, 1990/91

Grades	N (classes)	N (custodial)	N (secretarial)
1-6	20,360	4,607	1,461

Source: Notes to the 1991 Ministry of Education budget, p. 200.

Table 2.2.2 gives data on primary education enrollment in both Jewish and Arab sectors for 1988/89 and 1989/90. The data show that enrollment has risen slightly, with most of the increase in the Jewish sector, and that the number of schools, classes, and posts has dropped. Consequently, the parameter of enrollment per school (density) has risen by 4.8 percent, average class size has increased by 2.2 percent, and the average number of pupils per teaching post has gone up. The data also show that the number of classes increased and average class size decreased in the Arab sector.

TABLE 2.2.2: PRIMARY EDUCATION ENROLLMENT, JEWISH AND ARAB SECTORS, 1988/89-1989/90

	Total education system	Jewish Sector			Arab Sector		
	Pct. change	1988/89 Enrollment	1989/90 Enrollment	Pct. change	1988/89 Enrollment	1989/90 Enrollment	Pct. change
Number of pupils	+0.6%	469,230	473,189	+0.8%	138,768	138,482	-0.2%
Number of classes	-1.4	17,610	17,259	-2.0	4,479	4,814	+0.8
Number of posts	-2.5	21,683	21,045	-2.9	5,219	5,197	+0.4
Number of schools	-4.0	1,323	1,260	-4.8	312	309	-1.0
Enrollment per school	+4.8	355	376	+5.9	445	448	+0.8
Average class size (no. of pupils)	+2.2	26.6	27.4	+2.9	30.8	30.7	-1.0
Average per post (no. of pupils)	+0.9	21.6	22.5	+3.9	26.5	26.6	+0.2

Note: The data exclude special education.

Source: Central Bureau of Statistics, *Survey of Education Institutions, 5750-1989/90.*

Tables 2.2.3, 2.2.4, and 2.2.5 itemize primary education enrollment parameters for each of the three major school systems in the Jewish sector for 1988/89 and 1989/90. The data show a decrease in enrollment and number of classes in the State system as compared to an increase in State-Religious system enrollment. However, the decrease in number of schools was relatively greater in the State-Religious system. The data also show that enrollment per school and class size rose significantly in the State-Religious system, while much less so in the State system.

TABLE 2.2.3: PRIMARY EDUCATION ENROLLMENT, STATE SYSTEM, 1988/89-1989/90

	1988/89	1989/90	Pct.
	Number of pupils		Change
Number of pupils	333,199	330,072	-0.9
Number of classes	11,580	11,453	-1.1
Number of posts	14,342	14,169	-1.2
Number of schools	797	768	-3.6
Enrollment per school	418	430	+2.8
Average class size (no. of pupils)	28.8	28.8	-
Average per teacher (no. of pupils)	23.2	23.3	0.3

Source for Tables 2.2.3-5: Notes to the 1991 Ministry of Education Budget, p. 206.

TABLE 2.2.4: PRIMARY EDUCATION ENROLLMENT, STATE-RELIGIOUS SYSTEM, 1988/89-1989/90

	1988/89	1990/91	Pct.
	Number of pupils		Change
Number of pupils	99,240	100,237	+1.0
Number of classes	3,923	3,913	-0.3
Number of posts	5,484	5,441	-0.8
Number of schools	359	341	-5.0
Enrollment per school	276	294	+6.3
Average class size (no. of pupils)	25.3	25.6	+1.3
Average per teacher (no. of pupils)	18.1	18.4	+1.8

TABLE 2.2.5: PRIMARY EDUCATION ENROLLMENT, INDEPENDENT SYSTEM, 1988/89-1989/90

	1988/89	1990/91	Pct. Change
	Number of pupils		
Number of pupils	49,776	42,880	-13.9
Number of classes	2,107	1,893	-10.2
Number of posts	1,857	1,437	-22.7
Number of schools	180	151	-16.1
Enrollment per school	277	284	+2.7
Average class size (no. of pupils)	23.6	22.7	-4.1
Average per teacher (no. of pupils)	26.8	29.9	+11.5

Table 2.2.5 shows a contraction of the Independent school system during the same period, although a year earlier this system had grown sharply in all parameters reviewed. Thus, observed over a three-year period, the Independent system has shown conspicuous growth as evidenced in Table 2.2.6. Consequently, this system has progressed considerably in recent years compared with the other systems.

TABLE 2.2.6: CHANGES IN PRIMARY EDUCATION ENROLLMENT, INDEPENDENT SYSTEM, 1987/88-1989/90

	1987/88	1988/89	1989/90	Percent change, 1987/88-1989/90
Pupils (N)	32,000	49,776	42,880	+34.0
Classes (N)	1,355	2,107	1,893	+40.0
Posts (N)	1,468	1,857	1,437	-2.1
Class size (N)	23.6	23.6	22.7	-3.9
Pupils per post	21.8	26.8	29.9	+37.2

Source: Notes to the 1990 Ministry of Education Budget, p. 191; and 1991 Ministry of Education Budget, p. 206.

From the data we see that the rate of class growth exceeded that of enrollment growth, causing class size to decrease by 4 percent. Since the number of teaching posts actually declined, the number of pupils per post rose by 37.2 percent.

The data in Table 2.2.7 show that there is no great difference in average class size between the State-Religious and the State systems, refuting the widely held belief that classes in the State-Religious system are much smaller. Neither is there any great difference in average class size between the Arab and the Jewish State system. The Independent system has the lowest average class size. In terms of average number of pupils per post, it is in the Independent system that the number is highest, exceeding even that of the Arab sector.

TABLE 2.2.7: AVERAGE CLASS SIZE AND NUMBER OF PUPILS PER POST, BY SCHOOL SYSTEM, 1989/90

	Average class size	Average pupils per post (N)
Jewish sector:		
State	28.8	23.3
State-Religious	25.6	18.4
Independent	22.7	29.9
Arab sector:	30.7	26.6

Source: Notes to the 1991 Ministry of Education budget.

2.3 Post-Primary Education

Post-primary education is divided into several frameworks:

1. Junior high schools
2. Senior high schools
3. Comprehensive schools
4. External schools

The post-primary education system in 1989/90 included about 250,000 pupils (130,000 in technological and 120,000 in academic programs), 28,000 teachers, and 750 schools, not including some 60 comprehensive schools. The system also includes continuing education after completion of post-primary schooling.

Junior High Schools

Junior high schools include the upper primary grades and the first post-primary grade. These schools were established following a 1968 Knesset decision to restructure the school system, as recommended by a parliamentary commission for the evaluation of the structure of primary and post-primary education.

The objectives of the junior high schools are to implement the aforementioned structural reform and to enroll students from different backgrounds in order to promote social integration.

For this purpose, the Ministry of Education demarcates enrollment districts in such a way as to ensure a heterogeneous student body in each school.

Table 2.3.1 compares junior high enrollment data for selected years in the 1980s. Between 1983/84 and 1989/90, enrollment rose from 114,683 to 149,465, an increase of 30 percent. Class size increased from 29.5 pupils in 1983/84 to 30.5 in 1989/90, up 3.4 percent. The standard allocation of hours per class fell sharply, from 53.7 in 1983/84 to 49.9 in 1989/90 — a 7 percent decrease. This combination of data confirms the trend of standstill if not retreat in hours per pupil, coupled with an increase in class size.

TABLE 2.3.1: COMPARISON OF JUNIOR HIGH ENROLLMENT, 1983/84-1989/90 (SELECTED YEARS)

	1983/84	1986/87	1987/88	1988/89	1989/90
Enrollment	114,683	132,758	136,592	147,569	149,465
Class size	29.5	30.3	30.1	30.4	30.5
Hours per class	53.7	51.5	50.1	49.5	49.9

Source: Notes to the 1991 Ministry of Education budget, p. 223.

Technological Education

Table 2.3.2 documents the development of technological education in the 1980s. The data show a marked increase in emphasis on technological education, with special focus on the post-secondary stage. The Ministry of Education intends to place stronger emphasis on scientific education for all pupils enrolled in its technological curricula by including more scientific and technological subjects.

TABLE 2.3.2: DEVELOPMENT OF TECHNOLOGICAL EDUCATION, 1983/84-1989/90

	1983/84	1989/90	Pct. Change
Total enrollment	89,000	104,646	+17.6
"Grades 13-14" (continuation classes)	2,400	3,760	+56.7

Source: Notes to the 1991 Ministry of Education budget, p. 229.

Unlike primary and junior high education, which are provided in the vast majority of cases by local authorities, technological education is administered by public non-profit organizations, as specified in Table 2.3.3.

TABLE 2.3.3: DEVELOPMENT OF TECHNOLOGICAL EDUCATION, BY TYPE OF PROVIDER, 1989/90

Owner	Number of schools	Enrollment	Average per school	Pct. of total enrolled
ORT	49	28,324	578	27.1
Local authorities	142	30,383	214	29.0
Amal	58	16,997	293	16.2
State, public and private agencies	44	13,213	300	12.6
Youth Aliyah	13	3,891	299	3.7
Amit	7	3,444	492	3.3
White-collar union	18	3,173	176	3.0
WIZO	5	1,330	266	1.3
Independent education	22	1,842	84	1.8
Na'amat	28	2,049	73	2.0
Total	386	104,646	271	100%

Note: Technical education providers include: ORT — Organization for Rehabilitation through Training; Amal — Histadrut (General Federation of Labor); Amit — American religious women's organization; WIZO — Women's International Zionist Organization; and Na'amat — Labor Zionist women's organization.

Source: Notes to the 1991 Ministry of Education budget, p. 230.

The data show that the main providers of vocational education are the local authorities and the ORT and Amal systems, which together provide about 72 percent of all technological education. The table does not accurately reflect the contribution of the local authorities, since some of them (Petach Tikva, for example) work in partnership with one of these agencies — ORT or Amal, for example — in providing technological education. This makes their actual contribution greater than shown in the table.

The data also indicate that, of all major service providers, the local authorities rank lowest in terms of average enrollment per school. This may be because the local authorities also deliver technological educational services in development towns and other localities where economic considerations alone would not justify this activity.

Table 2.3.4 details the distribution of technological education activities by major curricula for 1989/90. The leading curricula are administration and bookkeeping, and mechanics.

TABLE 2.3.4: DISTRIBUTION OF TECHNOLOGICAL EDUCATION ACTIVITIES BY MAJOR CURRICULA, 1989/90

Technical curricula:	Mechanics	41%
	Electricity, Computers, and Control	19%
	Electronics and Communications	20%
Vocational curricula:	Administration and Bookkeeping	55%
	Fashion and Textiles	17%
	Child-care	11%

Source: Notes to the 1991 Ministry of Education budget, p. 231.

The teachers are employed by the service providers and their wages are paid from tuition fees received by the schools. Tuition fees forwarded to the schools by the Ministry of Education are meant to cover teachers' salaries, system upkeep, and purchase of equipment.

Post-Primary Enrollment

Table 2.3.5 describes the development of post-primary education by major track, comparing 1985/86 to 1989/90. The data show that post-primary enrollment in the Jewish sector increased by 11 percent during the five-year period, with a higher rate of increase in the academic track than in the vocational. However, enrollment in agricultural programs decreased.

In the Arab sector, by contrast, the opposite trend was evident: the rate of increase in vocational programs (42.6 percent) was greater than that of academic studies (13 percent), although the sector remains on the whole more academic-oriented than the Jewish sector. The rate of post-primary enrollment growth in the Arab sector (16.1 percent) exceeded that of the Jewish sector (11.4 percent).

TABLE 2.3.5: DEVELOPMENT OF POST-PRIMARY EDUCATION BY MAJOR TRACK, 1985/86 AND 1989/90

		Thousands of Students 1985/86	1989/90	Pct. Change
Grand total (1)		218.2	244.7	12.1
Jewish sector:	Total	184.7	205.8	11.4
	Academic	83.9	95.7	14.1
	Vocational	89.4	97.8	9.4
	Agricultural	5.0	4.7	-6.0
Arab sector:	Total	33.5	38.9	16.1
	Academic	26.9	30.4	13.0
	Vocational	5.4	7.7	42.6

(1) The subtotals do not add up since only the main tracks are included.

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, 1990, Table 22-10.

Table 2.3.6 compares the proportions of Arab and Jewish enrollment by track for the same period. The data show that the Arab sector has placed considerable emphasis on technological and vocational educational in the last five years, accounting for a 63 percent increase (2,300 students) in the proportion of technological-vocational education in this sector in the period reviewed, as against a drop of 3.8 percent in the share of vocational training in the Jewish sector. However, one should not forget the low starting point of the Arab sector.

TABLE 2.3.6: POST-PRIMARY EDUCATION — SHARE OF ENROLLMENT, BY SECTOR, 1985/86 AND 1989/90
(in percent)

	1985/86	1989/90	
Total, Jewish sector	84.6	84.1	
Total, Arab sector	15.4	15.9	
Jewish sector: academic	75.7	75.9	
Arab sector: academic	24.3	24.1	
Jewish sector: vocational	94.3	90.7	down 3.8%
Arab sector: vocational	5.7	9.3	up 63.2%

Source: Based on data in previous tables.

Table 2.3.7 describes the growth of post-primary education of all types and in all sectors between 1982/83 and 1989/90. The data show that the growth rate was higher between 1982/83 and 1987/88 (4.7 percent on annual average) than in the following two years, 1988/89-1989/90 (only 1.65 percent on annual average). This trend is consistent with the stagnation of the entire education system in the past few years, as described below. With the onset of massive immigration, development in all sectors of the education system gained momentum.

TABLE 2.3.7: GROWTH OF POST-PRIMARY ENROLLMENT, ALL SECTORS, 1982/83-1989/90

Year	Enrollment	Annual Growth (Pct.)
1982/83	187,680	-
1983/84	195,559	4.2
1984/85	206,828	5.8
1985/86	219,446	6.1
1986/87	227,324	3.6
1987/88	236,358	4.0
1988/89	240,498	1.8
1989/90	244,043	1.5

Source: Central Bureau of Statistics, 1989/90, "Education Institutions."

2.4 Higher Education

In 1978/79, higher education outlays totalled NIS 446 million, as compared to NIS 2,125 million expended on other educational services. Outlays for higher education thus totalled 17.4 percent of all education expenditures. Table 2.4.1 and Figure 2.4.1 summarize the pattern of higher education expenditures as a share of all educational services for selected years between 1979/80 and 1987/88.

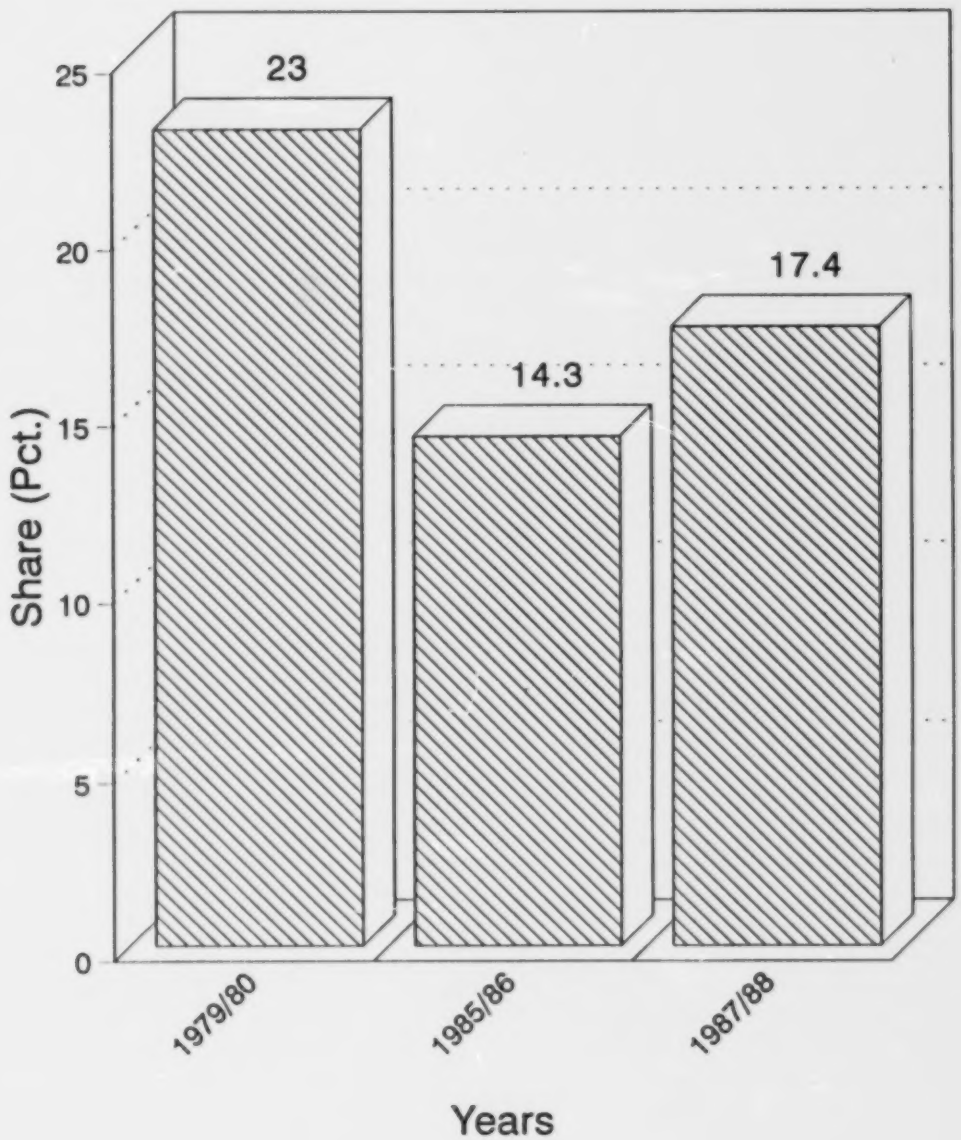
The data show a significant decrease in the proportion of budget resources allocated to higher education in 1985/86, compared with 1979/80. In the next two years, up to 1987, the share of higher education in all educational services rose from 14.3 percent to 17.4 percent, still falling short of the 1979/80 level.

TABLE 2.4.1: HIGHER EDUCATION AS A SHARE OF ALL EDUCATIONAL SERVICES, 1979/80-1987/88 (SELECTED YEARS)

1979/80	1985/86	1987/88
23%	14.3%	17.4%

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years.

Figure 2.4.1
Higher Education as a Share of All Educational Services, 1979/80-1987/88 (Selected Years)



These budget data on higher education and its share in the aggregate rubric of educational services should be compared with data on the growth of higher education enrollment. Enrollment increased from 54,480 in 1979/80 to 67,553 in 1989/90 — a rise of 24 percent, roughly commensurate with population growth.[15] However, as noted, the share of higher education in the total education budget showed an overall decline during the decade.

According to the Planning and Grants Committee (PGC) of the Council of Higher Education, the State contribution to higher education covers about 65 percent of the universities' regular budget. This contribution grew by 17 percent in real terms between 1986/87 and 1991/92, thus restoring, approximately, the level of a decade ago.

Thus, despite the growth of enrollment, the contribution of the government to university budgets has not really increased over the past decade. In other words, the government's average inflation-adjusted, per-student contribution to university budgets decreased during the decade under review.

Between 1985 and 1990, total university enrollment grew by 10.4 percent. During the same years, the country's population grew by 8.6 percent and the 20-24 age group by 8.3 percent. The distribution of the increase in enrollment during this period shows only 6 percent growth in the enrollment of university undergraduates, less than the rate of population growth, but 23 percent growth in the number of masters degree candidates and 19 percent growth in doctoral students.

2.5 The Development Budget

Education expenditures in Israel are divided into the current budget and the development budget, which is used specifically for investment in fixed assets. Current expenditures constitute 92 percent of all outlays, with the remainder investment in fixed assets. Current education expenditures include government outlays for educational services and direct expenditures by households for the purchase of textbooks and other learning materials. Investment in fixed assets includes construction of new buildings and purchase of equipment. The size of the development budget is an indicator of government and ministry willingness, in view of overall budget constraints, to increase the number of classrooms. Table 2.5.1 describes changes in the Ministry of Education development budget for 1988-1992.

TABLE 2.5.1: MINISTRY OF EDUCATION DEVELOPMENT BUDGET, 1988-1992

	NIS millions
Actual Spending, 1988	60.9
Actual Spending, 1989	67.6
Original Budget, 1990	80.7
Adjusted Budget, 1990	94.7
Original Budget, 1991	258.9
Adjusted Budget, 1991 (9 months)*	264.9
Original Budget, 1992 (9 months)	186.4

* Fiscal year 1991 was nine months long — April 1991-December 1991. The intent was to align the fiscal year with the calendar year. Expressed in 12-month terms, the budget for fiscal 1991 was NIS 345 million.

Source: Notes accompanying the Ministry of Education budget, 1992, pp. 50-51; 1991, pp. 52-53; and 1990.

The ministry development budget for 1991, as planned, was approximately NIS 250,000,000, apportioned as follows: NIS 96.6 million was reserved for the completion of ministry-financed building projects begun in 1989 and 1990 in time for the 1991/92 school year. The balance — about NIS 160 million — was intended for new building projects and was part of a comprehensive NIS 443 million plan for the construction of 1,740 new classrooms.

It is Education Ministry policy to allocate funds for building new classrooms only after all alternative solutions — such as using public buildings, staggering classes, merging smaller schools, and using auxiliary room annexes as classrooms — have been exhausted.

The data show that the development budget, adjusted for inflation, has increased substantially in the past few years. The 1991 budget was about 115 percent higher than that of the previous year in real terms. The 1990 budget, however, was no higher than the 1988 budget, especially before it was adjusted.

The real increase in the 1991 budget was meant to meet the challenge of recent years by preparing correctly for immigrant absorption. The ministry's policy is to enroll immigrant pupils in existing schools and to build new kindergartens and schools in new neighborhoods as they arise, either at government initiative or at the initiative of private and public agencies.

The data show that in fiscal year 1992, too, the allocation for school development increased conspicuously, to NIS 586 million as against NIS 345 million in 1991 (12 months). This increase, approximately 70 percent, constitutes significant real growth in a year when inflation was an estimated 20 percent.

Tables 2.5.2 and 2.5.3 describe the objectives of the new and continuing construction budgets for 1991. The data show that the Arab sector figures more prominently in the continuing construction budget than in the new construction budget. In the former, it accounted for 24 percent of all funds. In the new construction budget, the share for agricultural schools was scaled down considerably, while kindergartens, primary schools, junior high and post-primary schools received a greater share. Again, the data are indicative of the effort to absorb the massive influx of immigrants.

TABLE 2.5.2: NEW CONSTRUCTION BUDGET, BY MAIN OBJECTIVE, 1991

Purpose	1991 Budget	
	Sum (NIS 000s)	Percent of total
Kindergartens	13,694	8.7
Primary schools	62,798	39.8
Junior-high and post-primary schools	52,038	33.0
Agricultural schools	1,855	1.2
Arab sector schools	13,694	8.7
Cultural institutions and community centers	4,553	2.9
Educational TV	2,905	1.8
Replacing flammable buildings	905	0.6
Total	157,908	

Source for Tables 2.5.2-3: Notes to the 1991 Ministry of Education budget, p. 351.

TABLE 2.5.3: CONTINUING CONSTRUCTION BUDGET, BY MAIN OBJECTIVE, 1991

Purpose	1991 Expenditure	
	Sum (NIS 000s)	Percent of total
Kindergartens	4,450	4.6
Primary schools	36,490	37.8
Junior high and post-primary schools	24,920	25.8
Agricultural schools	3,582	3.7
Arab sector schools	23,140	24.0
Community centers	884	0.9
Cultural institutions	1,271	1.3
Total	157,908	

2.6 The Impact of Changing Enrollment

Enrollment Rates

Education system activity expanded considerably in the 1980s, as reflected in a comparison of the enrollment rates of the primary and post-primary (6-17) age group for 1979/80 and 1987/88, illustrated in Table 2.6.1 and Figure 2.6.1. The data show that enrollment has risen over the years in both the Jewish and the Arab sectors. Cohen believes that the school dropout rate is declining yearly and that the quality of education is improving steadily among all sectors and age groups.[16]

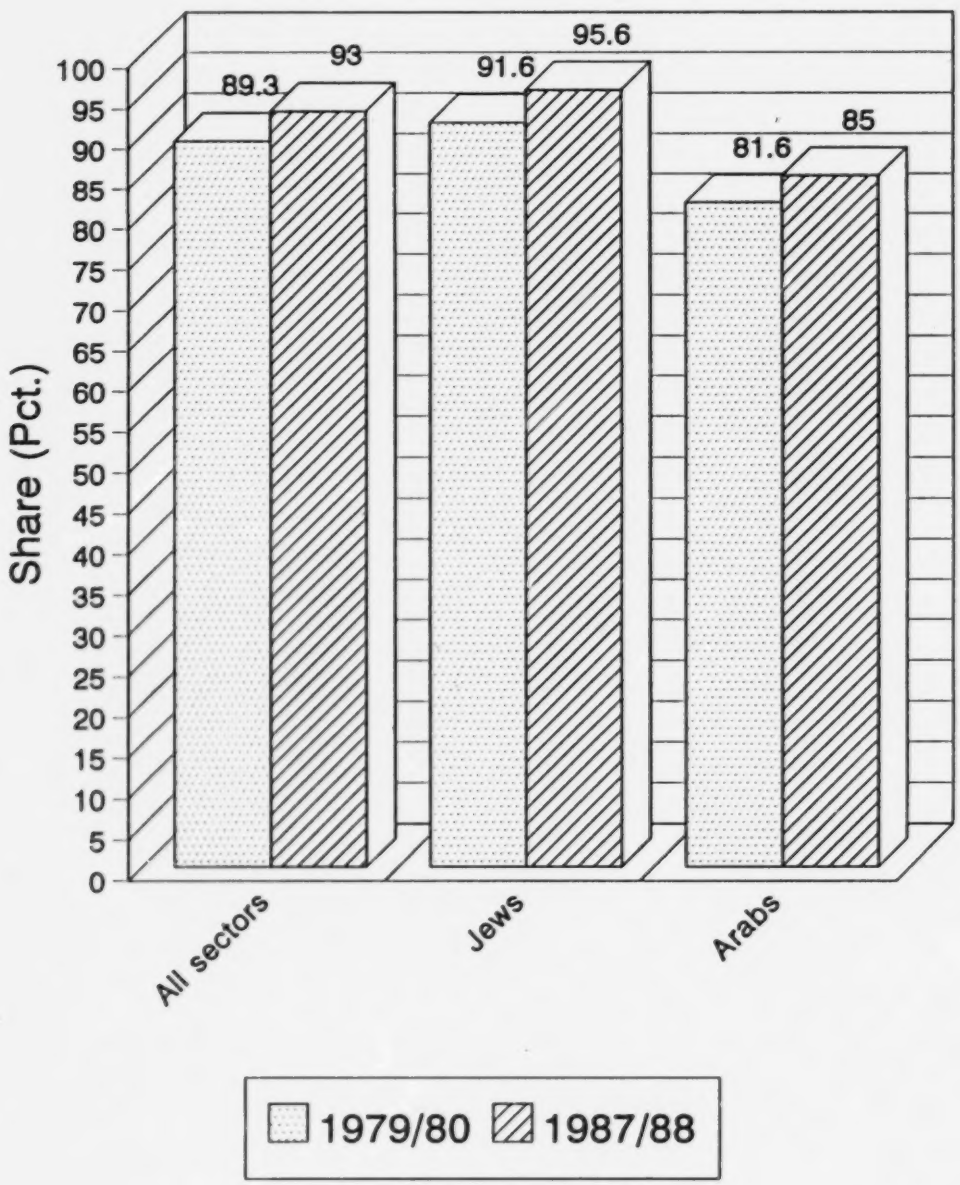
This trend began earlier. Thus, for example, enrollment rates in 1969/70 were 84.8 percent throughout the population — 87.4 percent in the Jewish sector and 71.8 percent in the Arab sector. This shows that enrollment rates have been rising steadily throughout the years.

TABLE 2.6.1: SCHOOL-AGE ENROLLMENT RATES, BY SECTOR, 1979/80 AND 1987/88
(in percent)

	Total	Jewish Sector	Arab Sector
1979/80	89.3	91.6	81.6
1987/88	93.0	95.6	85.0

Source of Tables 2.6.1-2.6.3: Ministry of Education, Senior Economics and Budget Division, 1990/91, pp. 29-31.

Figure 2.6.1
School-Age Enrollment Rates, by Sector, 1979/80 and 1987/88



The 6-17 age group is divided into two main cohorts: primary and post-primary. Since the early 1950s, primary school enrollment has been regulated by the Compulsory Education Law, which places parents under the legal obligation to send their children to school. Also, the economic alternatives available to children of primary school age are not significant.

In post-primary education, the problem is more complex. Here pupils theoretically have an economic alternative to studies. This is why the rate of post-primary enrollment is lower than that of the education system overall, as shown in Table 2.6.2. The post-primary enrollment rate is much lower in the Arab sector than in the Jewish sector. However, this gap is narrowing; enrollment in the Arab sector has risen by about 22 percent in the last decade — twice the growth rate of the Jewish sector.

TABLE 2.6.2: POST-PRIMARY ENROLLMENT RATES (AGES 14-17), BY SECTOR, 1979/80 AND 1987/88
(in percent)

	Jewish Sector	Arab Sector
1979/80	79.5	51.3
1987/88	89.0	62.4

The rise in enrollment rates in both Jewish and Arab sectors marks the continuation of a trend noted in the previous decade. Post-primary enrollment in the Jewish sector was 66.8 percent in 1969/70 and 89 percent in 1987/88, reflecting a 33 percent increase for the period. In the Arab sector, the corresponding rates were a mere 29.4 percent in 1969/70 and 62.4 percent in 1987/88, a corresponding increase of 112 percent. This points to a growing awareness in the Arab sector of the need for post-primary education, despite the economic alternatives open to this age group. One of the reasons for the rise in enrollment rates (which continued in 1989/90) is the broad spectrum of academic and technological programs and curricula supported by the ministry with the express purpose of encouraging as many pupils as possible to continue their post-primary education.[17]

Table 2.6.3 and Figures 2.6.2 and 2.6.3 compare post-primary enrollment rates of boys and girls in both the Jewish and Arab sectors. In the Jewish sector, the enrollment rate of girls exceeds that of boys by a substantial margin. Enrollment rates of both boys and girls have risen strongly.

The reverse is true in the Arab sector: the enrollment rate is higher for boys than for girls. Interestingly, however, the enrollment rate of girls in this sector grew significantly in the 1980s, while the enrollment rate of boys grew more slowly. Still, the Arab enrollment rate lags considerably behind the Jewish rate.

TABLE 2.6.3: POST-PRIMARY ENROLLMENT RATES (AGES 14-17), BY SEX AND SECTOR, 1979/80 AND 1987/88
(in percent)

	Jewish sector		Arab sector	
	Boys	Girls	Boys	Girls
1979/80	72.9	86.5	58.0	44.0
1987/88	83.1	95.2	66.1	58.6

Figure 2.6.2
Post-Primary Enrollment Rates (Age 14-17) in the Jewish Sector, by Sex, 1979/80 and 1987/88

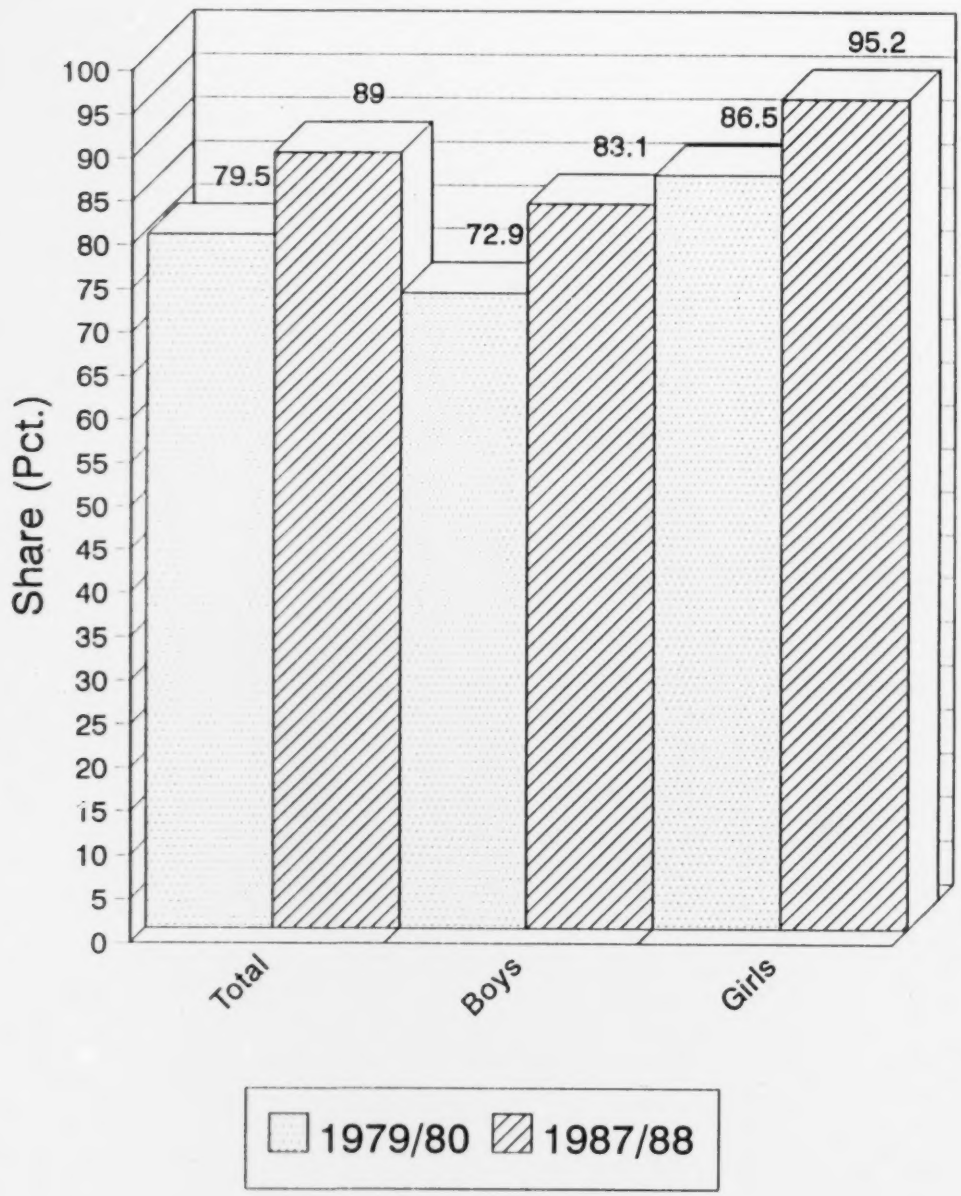


Figure 2.6.3
Post-Primary Enrollment Rates (Age 14-17) in the Arab Sector, by Sex, 1979/80 and 1987/88

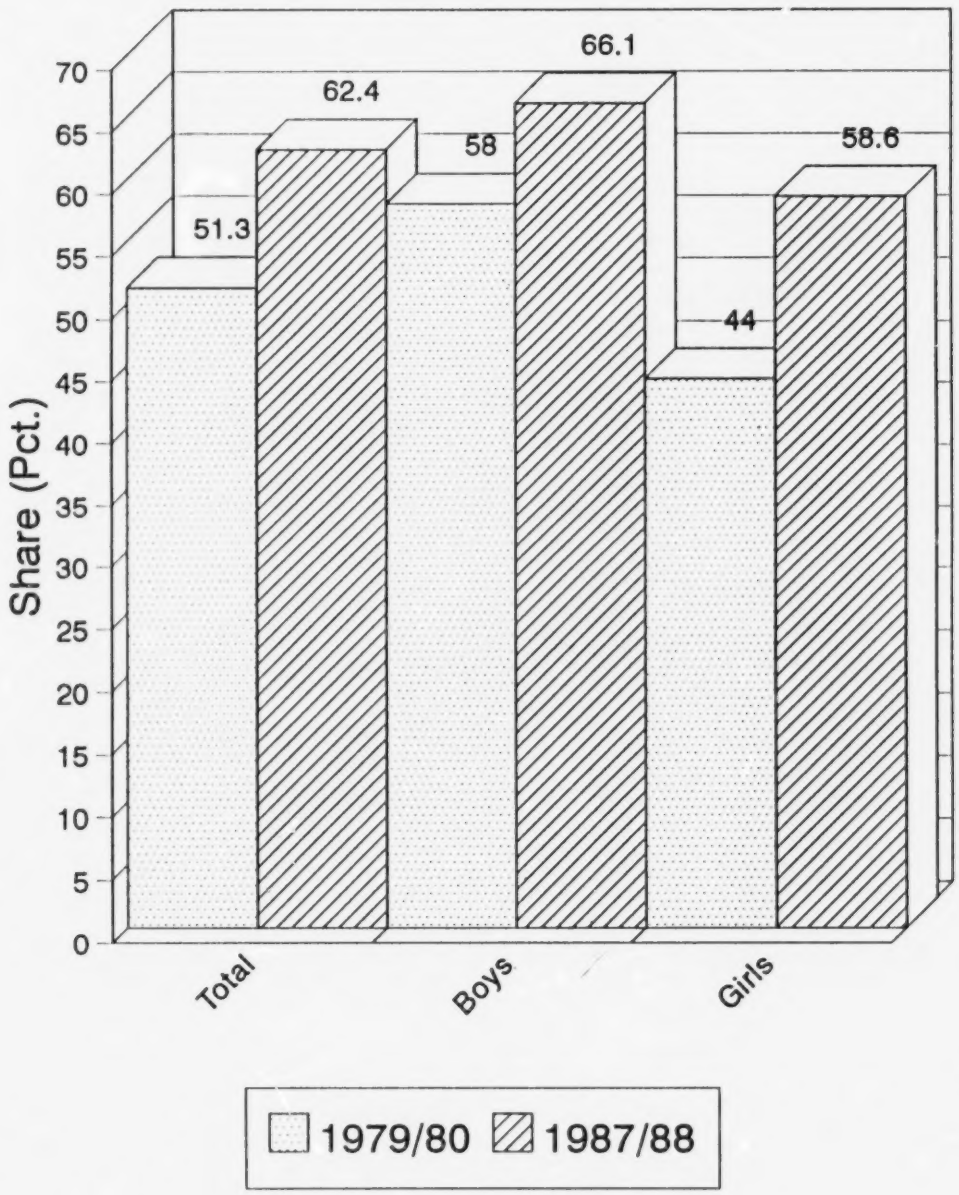


Table 2.6.4 shows the growth and distribution of enrollment among the major education systems in the Jewish sector by type of school between 1979/80 and 1990/91. The high share of the State system in junior high education is due to the fact that the reform establishing junior high schools is being carried out more rapidly in the State system than in the State-Religious or Independent system.

Examination of the various educational systems showed a perceptible uptrend in the share of the religious systems in primary education — both State-Religious (from 20.1 percent to 21.7 percent) and Independent (from 5.7 percent to 7.1 percent). This transition to religious education is coupled with a shift of pupils from one type of religious schooling to another. In post-primary and junior high schooling, the share of State-Religious education fell from 22.2 percent to 17.7 percent, while that of Independent education increased from 4.0 percent to 6.1 percent. The same trend was evident in the colleges that train school and preschool teachers. Thus Independent education has become a much greater factor than in the past. This may reflect the growing strength of *haredi* parties (Agudat Israel and Shas) and their greater emphasis in recent years on obtaining their share of resources in the formal education systems and the Ministry of Education. Independent education, most of which is *haredi*, had long maintained slack relations with government ministries, but in the past few years the ultra-Orthodox parties have made inroads in the array of educational services connected in one way or another with the relevant government ministries.

TABLE 2.6.4: JEWISH ENROLLMENT BY SYSTEM AND TYPE OF SCHOOL, 1979/80-1990/91 (SELECTED YEARS)

	Enrollment	State	State-Religious	Independent/other
Primary				
1979/80	424,173	74.2%	20.1%	5.7%
1984/85	470,323	74.0	20.0	5.9
1989/90	461,790	71.1	21.3	7.6
1990/91	476,055	71.3	21.7	7.1
Junior high				
1979/80	72,792	75.6%	23.0%	1.4%
1984/85	103,096	82.5	16.9	0.6
1989/90	120,608	83.3	16.1	0.6
1990/91	129,591	83.5	16.0	0.5
Senior high				
1979/80	143,810	73.8%	22.2%	4.0%
1984/85	176,143	75.0	19.8	5.2
1989/90	205,139	75.9	18.4	5.7
1990/91	215,720	76.2	17.7	6.1
Teachers' colleges, including preschool teachers				
1979/80	11,285	66.2%	24.0%	9.8%
1984/85	12,056	67.1	22.3	10.6
1989/90	12,333	67.0	21.8	11.2
1990/91	14,678	67.0	21.9	11.1

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, No. 42, 1991, p. 622; and Ministry of Education and Culture, *The Education System in Numbers*, 1992, p. 7.

Class Size

Enrollment rates have a direct effect on class size. Looking at class size generally in all sectors, junior high and academic high schools had the highest share of large classes, as shown in Table 2.6.5. The data show that throughout the school system, the percentage of large classes has risen and the percentage of small classes has dropped. More large classes were found in junior high schools and technological high schools: the highest share of large classes was found in academic high schools, where 66 percent of classes in 1989/90 had 30 or more pupils. Admittedly, this constraint of larger class size did much to alleviate the budget crunch by allowing the system to meet its educational requirements while building fewer new classrooms (see below). Still, one cannot disregard the potential impact of larger class size, especially at the growth rates described above, on the quality of education.

TABLE 2.6.5: PRIMARY AND POST-PRIMARY CLASS SIZE, 1979/80 and 1989/90
(in percent)

School	Over 30 pupils per class		29-30 pupils per class		Under 20 pupils per class	
	1979/80	1989/90	1979/80	1989/90	1979/80	1989/90
Primary	47	47	31	37	22	16
Junior high	52	65	25	17	23	18
Academic high	56	66	29	23	15	11
Technological high	25	37	33	34	42	29

Source for Tables 2.6.5-6: Ministry of Education, Senior Economics and Budget Division, 1990/91, pp. 29-31.

Table 2.6.6 illustrates changes in class size in the Arab sector between 1974/75 and 1989/90. During this period there was a noticeable drop in the share of small classes and a conspicuous increase (23 percent) in the proportion of classes with over 30 pupils.

TABLE 2.6.6: CLASS SIZE IN THE ARAB SECTOR, 1974/75-1989/90 (SELECTED YEARS)
(in percent)

	Over 30 pupils per class	20-29	Under 20
1974/75	39	33	28
1979/80	43	29	28
1989/90	48	31	21

Classroom Construction

Table 2.6.7 documents the number of new classrooms constructed in the years 1982-1991. The main reasons behind the need to build new classrooms are natural increase, rising enrollment rates, the upturn of immigration, and replacement of dangerous and rented buildings.

TABLE 2.6.7: CLASSROOM CONSTRUCTION, 1982-1991

Year	Classrooms
1982	900
1983	1,050
1984	1,225
1985	1,065
1986	630
1987	718
1988	653
1989	667
1990	789
1991 (budget)*	1,797

* This figure does not include buildings financed by Mifal Hapayis (the national lottery).

Source: Ministry of Education, Senior Economic and Budget Division, 1990/91, p. 28.

The data show a sharp drop in classroom construction after 1985, when the Economic Stabilization Plan was introduced. In the years following this plan, the number of new classes built dropped to 630-789 per year, compared with 900-1,225 per year in the preceding years.

Thus, the rate of increase in the number of classrooms available to the education system (excluding preschools) dropped markedly in the second half of the 1980s, as shown in Table 2.6.8.

TABLE 2.6.8: GROWTH IN NUMBER OF CLASSROOMS, 1979/80-1989/90

	Number of classrooms	Percent growth against preceding period
1979/80	30,409	—
1984/85	34,506	13.5
1989/90	36,168	4.8

Source: *Ibid.*, p. 13.

Dropout Rates

The dropout rate is another factor that affects class size and the volume of educational services, especially at the post-primary level where students have an alternative. Looking at ninth grade pupils who did not advance to high school (grades 10-12) in the post-primary system, Table 2.6.9 and Figure 2.6.4 show that the dropout rate is much higher in the Arab sector but has decreased significantly, even though this decrease was arrested in 1988/90. Dropout rates in the Jewish sector, relatively low to begin with, continued to decline steadily in the 1980s.

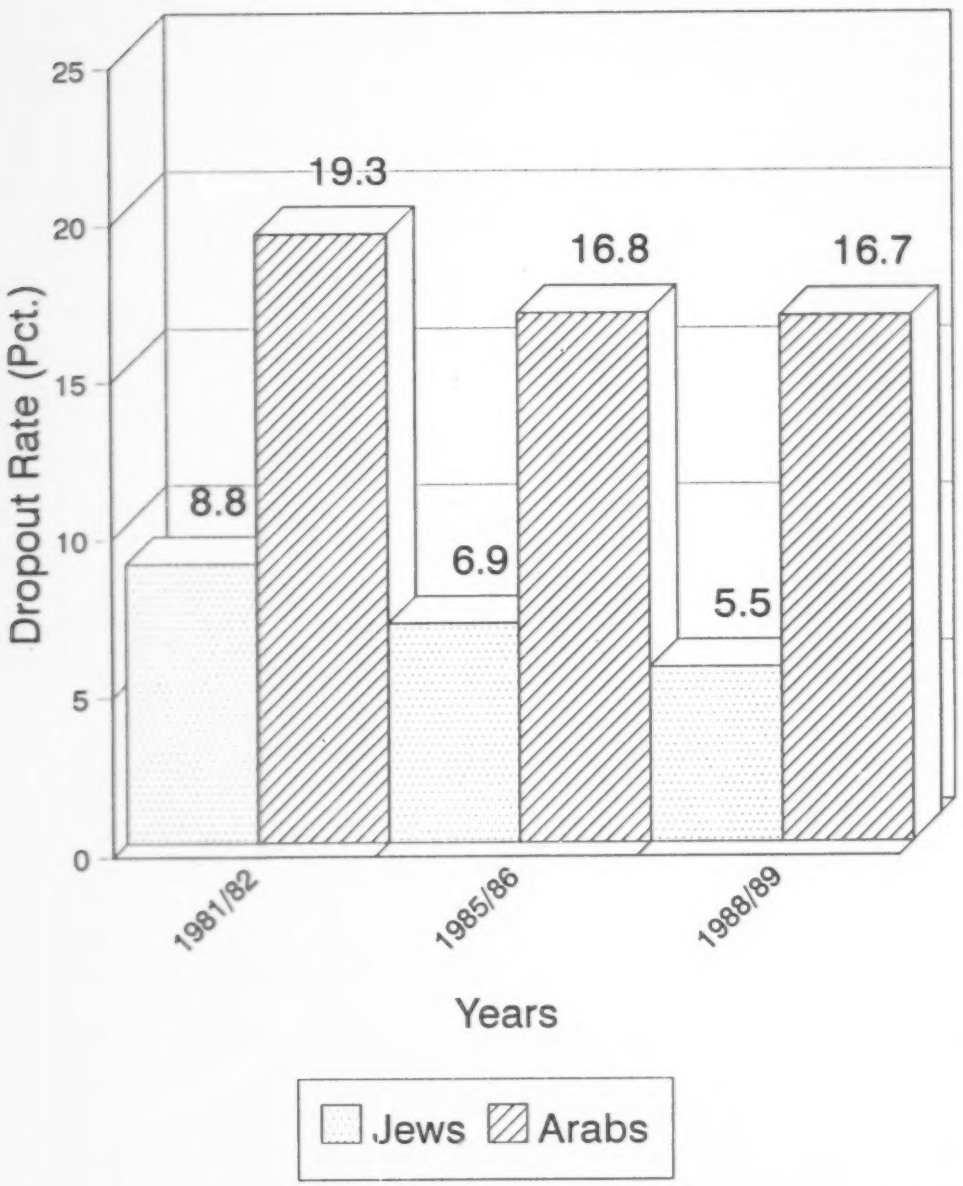
TABLE 2.6.9: POST-PRIMARY DROPOUT RATE, BY SECTOR, 1981/82-1988/89 (SELECTED YEARS)
(in percent)

	Jewish sector	Arab sector
1981/82	8.8	19.3
1985/86	6.9	16.8
1988/89	5.5	16.7

Source: *Ibid.*, p. 32.

The declining dropout rates, rising enrollment rates, and natural increase have combined to intensify the demand for educational services, even as the decrease in relative growth of the number of classrooms has caused the supply of these services to contract. At the same time, the Ministry of Education has met the task of cutting the budget mainly by increasing class size, which may affect the quality of teaching.

Figure 2.6.4
Post-Primary Dropout Rates, by Sector, 1981/82-1988/89 (Selected Years)



CHAPTER 3

PATTERNS OF LOCAL AUTHORITY SPENDING ON EDUCATION

3.1 Analytical Considerations

The local authorities are the providers of day-to-day educational and cultural services and act as the liaisons between the citizenry and the government institutions that deliver these services.

Kop *et al.* argue that the allocation of government resources to social services reflects the priority that the government accords to social affairs as part of its overall policy.[18] However, any picture of social service development in a given locality is incomplete until it includes data on local authority allocations for such services, which expand the volume of services received by the citizen.

In looking at state-provided social services, and education and cultural services in particular, some expenditures appear in the regular budget, which covers current outlays, and some appear in the development budget, which includes outlays for buildings and equipment.

While the following is an initial analysis of trends in the provision of educational services by local authorities, continued research is necessary on the arrangements by which these authorities finance their education outlays. In early 1992, various aspects of these arrangements were debated intensively, including the "basket" of services provided by the authorities, the ways in which this "basket" is funded from both the regular and the development budget, and arrangements for the financing of direct and indirect payments by parents.

The analysis looks at local authority revenue and expenditures between 1979/80 and 1987/88, the last year for which data were available at the time this study was completed. The information is based mainly on financial and population data provided by the Central Bureau of Statistics (CBS), which are based on data provided in the financial statements of the local authorities themselves. Therefore, a multi-year comparison may be affected by changes in the structure of a specific local authority's financial statements. However, such changes, where they exist, rarely have an impact on the overall trend.

The municipal status of some authorities changed between 1979/80 and 1987/88. For comparison purposes, the status of such authorities is listed in this study as it was in 1979/80.

CBS data are given in current nominal values. After the high inflation of the 1980s, which reached three digits during several years, all the data were converted into constant prices. In other words, the 1979/80 data are presented in 1987/88 values. The conversion to constant values is based on the Consumer Price Index, using the annual average of the fiscal year, not the calendar year. This was done because the local authorities' revenue and expenditure statements for these years were presented on the basis of the fiscal year (April-March), not the calendar year.

To overcome the problems of different population growth rates in different local authorities and sectors, the comparisons were made on a per-capita basis. However, the population data used sometimes contain inaccuracies, since some residents moving from one local authority to another do not immediately report their change of address. Likewise,

population data provided by the authorities themselves are upward-biased, though this should not affect the general trends described below.

Since the data on the pupil enrollments do not necessarily correspond to the dates of the financial data, and since there are disparities within the reports on enrollment in all parts of the education system, the computation of per-capita expenditure is more accurate than that of per-pupil expenditure.

The local authority data are divided into two main types:

Type A: data classified by type of local authority — municipality, large local council, small local council, regional council, and Arab or Druse council. These local authorities, in turn, are graded by size. In a few cases, some very large urban-type local councils are classified alongside small municipalities. Examples are Kiryat Ono and Ramat Hasharon.

Type B: data classified by the local authority's rating on the socioeconomic index devised by the Ministry of Interior.[19] Until several years ago, the socioeconomic status of a local authority was usually gauged in terms of motor vehicles per thousand inhabitants. Several years ago, the Interior Ministry devised a socioeconomic index that includes and weights additional factors, yielding a more accurate profile of the local authority. The local authorities were categorized on the basis of various "clusters," thus generating separate profiles for the Jewish and minorities sectors. In processing the research data, adjacent clusters were sometimes merged in order to obtain a larger and more representative number of local authorities within the cluster.

The study included all local authorities for which suitable data were available. There was no need to perform a random sample since the sample included all the authorities. Where the data on some authorities were either incomplete or deemed inaccurate, these authorities were eliminated from the sample.

3.2 Total Per-Capita Local Authority Expenditure

A comparison of per-capita expenditure among local authorities highlights the different sizes of these authorities. However, one must also bear in mind pertinent socioeconomic differences, particularly the age breakdown of the population (percentage of children), which affects requirements.[20] Average per-pupil expenditure, these researchers found, was approximately NIS 1,800 in Tel Aviv, NIS 600 in Bnei Brak and Netanya, and NIS 1,050 in Haifa, Ramat Gan, and Petach Tikva.

Table 3.2.1 provides data on total per-capita expenditure within the regular budget of the various types of local authorities in 1979/80 and 1987/88. The data show that total local authority expenditures increased by 6 percent in real terms. The growth in per-capita expenditure for municipalities, large local councils, and, especially, small local councils exceeded that of the large municipalities. Note the high expenditure growth rate among the Arab and Druse authorities.

TABLE 3.2.1: TOTAL PER-CAPITA EXPENDITURE BY LOCAL AUTHORITIES, 1979/80 AND 1987/88
(NIS; in constant 1987/88 prices)

	Population, 1987/88 (Thousands)	Per-capita Expenditure, 1979/80	Per-capita Expenditure, 1987/88	Real Growth %
All local authorities(1)	4,151	781	827	5.95
Large municipalities	1,025	984	954	-3.15
Municipalities(2)	2,066	676	765	13.1
Large local councils	277	916	1,016	11.0
Small local councils	63	992	1,264	27.4
Regional councils	301	1,346	1,260	-6.4
Arab councils	364	202	326	61.5
Druse councils	55	158	328	107.4

(1) In this table, as in the others, the totals pertain only to data for authorities included in this study. However, these account for most local authorities in the country.

(2) In some of the following tables and figures, the "municipalities" category embraces the three largest municipalities as well as the others.

Source for Tables 3.2.1-4: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years; Central Bureau of Statistics, *Local Authorities in Israel, Physical Data* for the relevant years.

Kop *et al.* reached a similar conclusion, reporting that total expenditures in eleven large towns grew in real terms by 6 percent between 1980/81 and 1988/89, and actually dropped by an average of almost 3 percent when adjusted for population growth during this period.[21]

The data also point to wide variations in the real growth rates of different local authorities. This could serve as the basis of an additional study into a possible correlation of growth rates in local authority budgets and other parameters, such as socioeconomic status, status of authority heads, location of the authority, etc.

Another finding that surfaces in the raw data is that per-capita expenditure is smaller in intermediate and large local authorities than in the small ones, suggesting the possibility of economies of scale in local authority services.

The data show that in 1987/88 total per-capita expenditure within the regular budget was NIS 765 in the municipalities, NIS 1,016 in the large local councils, and NIS 1,264 in the small local councils. Per-capita expenditure was even higher in very small local councils (those serving up to 5,000 people): NIS 2,130 in Migdal, NIS 2,589 in Mitzpe Ramon, NIS 2,272 in Shlomi, and NIS 2,123 in Yesod Hama'ala, compared with an average per-capita expenditure of NIS 1,016 in the large local councils.

The figures also show that per-capita expenditure is considerably higher in the Jewish sector than in the Arab or Druse sector. Thus, for example, per-capita expenditure in the Jewish sector in 1987/88 ranged from NIS 765 in municipalities to an average of NIS 1,264 in small

local councils. In Arab and Druse local authorities, average per-capita expenditure was approximately NIS 330. This also explains the higher rates of expenditure growth in the Arab and Druse sectors, since the base expenditure in those sectors is far lower than in the Jewish sector.

To substantiate these trends, Table 3.2.2 presents examples of several representative local authorities in each sector. The data point to growth of inflation-adjusted expenditure in local authorities of all kinds — both those listed as "development towns" (Tiberias, Or Akiva) and more affluent localities (Rishon Lezion, Holon, Bat Yam).

The high rate of expenditure growth among Arab and Druse local authorities is conspicuous. Table 3.2.3 provides additional examples of per-capita expenditure in selected Arab and Druse local authorities in 1987/88.

TABLE 3.2.2: PER-CAPITA EXPENDITURE IN SELECTED LOCAL AUTHORITIES, 1979/80 AND 1987/88
(NIS; in constant 1987/88 prices)

	1979/80	1987/88	Pct. Change
Jewish sector			
Ashdod	691	690	- 0.21
Bat Yam	433	587	36
Holon	526	694	32
Rishon Lezion	590	766	29
Ramat Hasharon	722	821	14
Tiberias	780	870	11
Or Akiva	638	735	15
Tirat Hacarmel	654	780	19
Beit Dagan	1,017	1,300	28
Givat Ada	1,049	1,248	19
Arab and Druse sector			
Nahaf	94	333	255
Majdal Krum	124	263	112
Kalansuwa	140	274	96
Ba'ana	86	224	162
Fasuta	215	472	119
Daliat al-Carmel (Druse)	170	342	101
Usafiya (Druse)	173	301	74

TABLE 3.2.3: PER-CAPITA EXPENDITURE IN SELECTED ARAB AND DRUSE LOCAL AUTHORITIES, 1987/88

Local Authority	Population	Per-capita Expenditure (NIS)
Arab sector:		
Authorities with over 10,000 residents		
Nazareth	49,300	348
Umm al-Fahm	23,100	222
Shfar'am	19,300	368
Baqa al-Gharbiya	13,200	281
Taibe	19,500	359
Tamra	14,900	287
Small authorities		
Sha'ab	3,400	484
Peqi'in	3,300	428
Fasuta	2,200	472
Kafr Bara	1,100	504
Druse sector:		
Authorities with over 5,000 residents		
Maghar	12,100	243
Daliat al-Carmel	9,500	342
Yarka	7,500	365
Usafiya	7,100	301
Small authorities		
Kafr Kama	1,900	455
Julis	3,400	411

The gap in per-capita expenditure between Jewish and Arab and Druse local authorities narrowed in the 1980s, as shown in Table 3.2.4.

TABLE 3.2.4: MEAN PER-CAPITA EXPENDITURE IN LOCAL AUTHORITIES, BY SECTOR, 1979/80-1987/88
(NIS; in constant 1987/88 prices)

	1979/80			1987/88		
	Jewish	Arab	Pct. J/A	Jewish	Arab	Pct. J/A
Large councils	1,016	326	27%	916	202	21%
Small councils	1,264	326	27	992	202	21
Druse councils		328	26		158	16

3.3 Trends in Education Expenditures by Type of Local Authority

Table 3.3.1 and Figure 3.3.1 summarize the trends in education expenditures by type of local authority. Total per-capita expenditure on education, adjusted for inflation, decreased by 4.93 percent between 1979/80 and 1987/88. Since the local authorities' total outlays (regular budget) increased by 5.95 percent during this period, one may infer that the share of education in the total local authority budget declined. Indeed, the proportion of local authority budgets devoted to education fell from 29.51 percent to 26.48 percent between 1979/80 and 1987/88.

The data show that the share of education expenditures in the local authorities' total budget decreased sharply in all types of authorities, except for the regional councils, where a slight increase was found.

Most of the decrease in the share of education expenditures in the Jewish sector (with the exception of small local councils) was caused by an inflation-adjusted decrease in education expenditures coupled with inflation-adjusted growth of the authorities' total budgets.

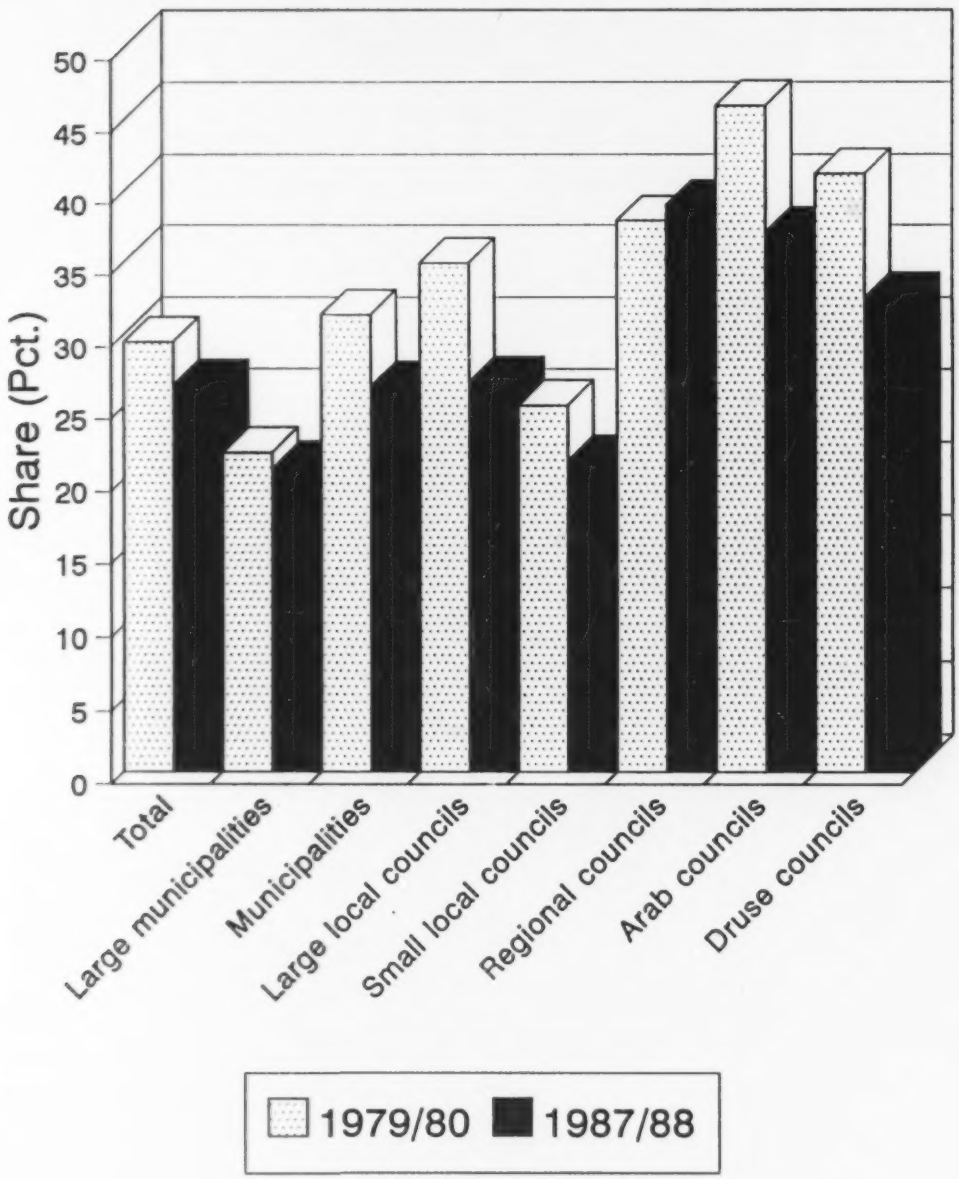
This conclusion corresponds to that of other researchers who found that per-capita expenditure for social services (particularly education and welfare) remained almost constant in the 1980s (showing a 2 percent growth in the eight years from 1980/81 to 1988/89).[22] Furthermore, an itemization of social expenditures by component shows that average per-capita education spending decreased during the decade, a conclusion similar to that of the present study.

TABLE 3.3.1: TRENDS IN EDUCATION EXPENDITURES, BY TYPE OF LOCAL AUTHORITY, 1979/80 and 1987/88

Type of Authority	% of Total Budget		Per-Capita Expenditure (NIS)		Pct. Change
	1979/80	1987/88	1979/80	1987/88	
Total	29.51	26.48	230.5	219.1	-4.93
Large municipalities	21.82	20.70	214.7	197.5	-8.05
Municipalities	31.40	26.40	212.2	201.8	-4.89
Large local councils	34.98	26.73	320.3	271.7	-15.19
Small local councils	25.11	21.27	249.1	268.9	7.93
Regional councils	37.95	39.06	510.8	492.0	-3.68
Arab councils	45.99	37.11	92.8	120.9	30.27
Druse councils	41.27	32.55	65.3	106.8	63.57

Source for Tables 3.3.1-3: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years; Central Bureau of Statistics, *Local Authorities in Israel, Physical Data* for the relevant years.

Figure 3.3.1
Trends in Education Expenditures, by Type of Local Authority, 1979/80 and 1987/88



In the Arab and Druse sectors, the decline in education expenditures as a share of the total budget was caused by the much faster growth of total budget expenditures as compared with education expenditures, as shown in Table 3.3.2.

TABLE 3.3.2: GROWTH OF EDUCATION EXPENDITURES COMPARED WITH GROWTH OF TOTAL EXPENDITURES, BY TYPE OF LOCAL AUTHORITY, 1979/80-1987/88
(in percent)

	Growth of Total Expenditures (Regular Budget)	Growth of Education Expenditures
Arab and Druse sector:		
Arab councils	61	30
Druse councils	107	64
Jewish sector:		
Small local councils	27	8
Large local councils	11	-15
Municipalities, including the largest three	6	-6
Regional councils	-6	-4
All local authorities	6	-5

Thus a significant change of emphasis occurred in the 1980s in most kinds of local authorities, with expenditures in items other than education claiming higher priority within the regular budget.

On the other hand, quite a few authorities reached a saturation point in education outlays (except for regular maintenance) and therefore diverted additional resources to other areas, such as a shift of emphasis from education to culture, as described in greater detail below.

The data also show that per-capita education expenditure in the Jewish sector still exceeded that of the Arab and Druse sector in 1987/88. Per-capita spending in the Jewish municipalities was NIS 200, while in the Arab and Druse sector it was approximately NIS 113, roughly half that of the Jewish sector. Yet in fact the data actually confirm a significant narrowing of the gap in education expenditure between the Arab and Jewish sectors. In 1979/80, per-capita education expenditure in the Jewish sector was NIS 213-320, compared with NIS 65-93 in the minorities sector, i.e., only about one-third of that in the Jewish sector. Relative to the beginning of the decade, local authority per-capita education expenditure declined in most Jewish localities, while increasing 30 percent in the Arab sector and 64 percent in the Druse sector. Sample data show that the trends identified in this study continued into the 1990s.

In June 1991, the Ministry of Education issued a special circular describing a five-year plan for the Arab education system. Within five years, according to the plan, this system would be able to operate soundly and well, and educational and budget disparities that had built up in

past years would be closed.[23] The circular asserted that although the ministry had not yet been given a special budget to carry out this plan, it had decided to modify its priorities in order to make implementation possible.

The data also show that in the early 1980s, Arab authorities allotted 41-46 percent of their total regular budget to education; by the end of the 1980s, this proportion had dropped to about one-third. The Jewish sector allots about one quarter of its regular budget resources to education.

Table 3.3.3 offers data on per-capita education expenditures from the Interior Ministry research study that sorted Jewish local authorities into clusters according to their socioeconomic condition. The statistics show that mean expenditure for educational services was considerably higher in the eleven authorities that comprise the first cluster, i.e., those in the most difficult socioeconomic condition. No significant differences were found in mean expenditure among the other clusters. These findings apply both to education expenditures and total expenditures (regular budget) of the local authorities.

TABLE 3.3.3: PER-CAPITA EDUCATION EXPENDITURE IN CLUSTERS OF LOCAL AUTHORITIES, 1987/88

Cluster Number	Number of Authorities in Cluster	Average Per-capita Education Expenditure in Cluster (NIS), 1987/88	Average Total Per-capita Expenditure in Cluster (NIS) 1987/88, Regular Budget
1	11	267	1,140
2	12	209	837
3	14	150	665
4	14	238	848
5	18	190	752
6	8	206	766
7	4	204 (*)	637

* Not including Municipality of Tel Aviv, which requires separate consideration.

3.4 Total Local Authority Revenue (Regular Budget)

The period under review witnessed a sizable real (inflation-adjusted) increase in the revenues of all types of urban local authorities, excluding large local councils. The authorities as an aggregate registered real growth of 12.8 percent, as shown in Table 3.4.1.

The data show that per-capita revenue grew very briskly in the small local councils (22 percent), Arab councils (53 percent), and Druse councils (86 percent), pointing to a steady narrowing of the disparity in per-capita revenue between the minorities authorities and the urban Jewish authorities.

In 1979/80, average total per-capita revenues in the minorities sector were about 22 percent of the corresponding figure in the Jewish sector. By 1987/88, average total per-capita revenues of the minorities authorities had risen to 32 percent of those of the Jewish authorities.

TABLE 3.4.1: LOCAL AUTHORITY PER-CAPITA REVENUE, 1979 AND 1987/88
(NIS; in constant 1987/88 prices)

	1979/80	1987/88	Pct. Change
All authorities	706	796	12.8
Large municipalities	820	975	18.9
Municipalities	634	727	16.5
Large local councils	874	868	-0.6
Small local councils	972	1,183	21.8
Regional councils	1,300	1,193	-8.2
Arab councils	197	302	53.3
Druse councils	170	316	86.1

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years; Central Bureau of Statistics, *Local Authorities in Israel, Physical Data* for the relevant years.

3.5 Revenue from Educational Services (Regular Budget)

Local authorities derive revenue from both government and parents for their provision of educational services. The state government's participation is meant largely to help pay the salaries of custodial, secretarial, and other staff. Parents participate in tuition fees for non-compulsory kindergartens and supplementary services.

The local authorities operate the formal education system (compulsory kindergartens through primary schools) in every locality. Many local authorities also run kindergartens for the 3-4 year age group, as well as secondary schools. Finally, the authorities operate supplementary educational systems and administer supplementary services in schools. The latter rubric includes psychological services, dental services, pedagogical centers, and, in some authorities, supply of

textbooks. The local authorities also offer culture and youth services and finance sports activities.

Under the financial arrangements in effect at the time this study was undertaken, the government pays the salaries of primary school and compulsory kindergarten teachers directly, since they are regarded as state employees. Salaries of post-primary teachers and custodial and secretarial staff are paid indirectly by the Ministry of Education through the local authorities. This explains why local authorities sometimes fail to pay these employees on time when they are in a financial crisis: they have already used the funds forwarded to them for this purpose by the Ministry of Education for other budgetary purposes.

Tuition fees for post-primary students represent a sizable source of revenues in the education budget. Hecht (1987) explains that until 1978, parents paid tuition for their post-primary children. These fees were graduated so that lower income parents paid less or were totally exempt. After tuition fees were abolished in 1979, the Ministry of Education started paying a lump sum for each pupil and a supplement for pupils in technological schools, including those in post-primary schools sponsored by agencies other than local authorities.

The ministry also helps finance busing to and from school. Busing is especially important for regional schools that serve clusters of small communities, thereby obviating the need to establish a school in each one. Thus ministry participation in local authority busing expenses is higher in regional councils than in municipalities and local councils.

The parents, for their part, pay a fee for supplementary pupil services such as health and insurance. They also pay for expanded study hours, a factor that became especially salient in the 1980s when teaching budgets were cut.

The share of the Ministry of Education in total local authority expenditures for education was 60 percent in 1968, 63 percent in 1973, and 66 percent in 1978. The proportion fell to 65 percent in 1981, despite a greater ministry contribution as a result of the elimination of post-primary tuition fees.[24] According to Interior Ministry data for 1990, the Education Ministry was covering on average only 62 percent of local authorities' total education outlays.

Table 3.5.1 and Figure 3.5.1 illustrate local authority revenue from education, sorted by types of local authorities. Education revenue as a share of all local authority revenue decreased considerably in the period reviewed. One of the main reasons was substantial growth of local authority income, especially that derived from the general municipal tax which after 1981 became a major source of income for many authorities.

In the municipalities and small local councils the decrease in the share of education was caused by faster growth of total revenue than education revenue, while in the large local councils the slump was caused by a decrease in inflation-adjusted revenues from educational services.

Note that the share of education in total revenue (regular budget) is almost twice as high in the minorities sector (Druse and Arabs) as in the Jewish sector. Here too, however, the gap is steadily narrowing. Thus the trends of education service revenue and expenditure in both sectors were found to be consistent throughout the period reviewed.

TABLE 3.5.1: LOCAL AUTHORITY REVENUE FROM EDUCATIONAL SERVICES, BY TYPE OF LOCAL AUTHORITY, 1979/80 AND 1987/88

Type of Authority	Pct. of Total Budget 1979/80	1987/88	Per-Capita Expenditure (NIS) 1979/80	1987/88	Pct. Change
Total	17.7%	16.5%	125	131	5.6%
Large municipalities	11.4	9.4	93	92	-1.5
Municipalities	18.5	17.5	196	127	10.2
Large local councils	22.2	17.6	194	153	-21.4
Small local councils	13.6	11.0	132	130	-1.2
Regional councils	23.8	27.8	309	332	7.3
Arab councils	36.2	31.2	71	94	32.2
Druse councils	31.8	25.1	54	79	46.9

Source: Hecht, in Elazar and Kalchheim, 1987.

Figure 3.5.1
Local Authority Revenue from Educational Services, by Type of Local Authority, 1979/80 and 1987/88

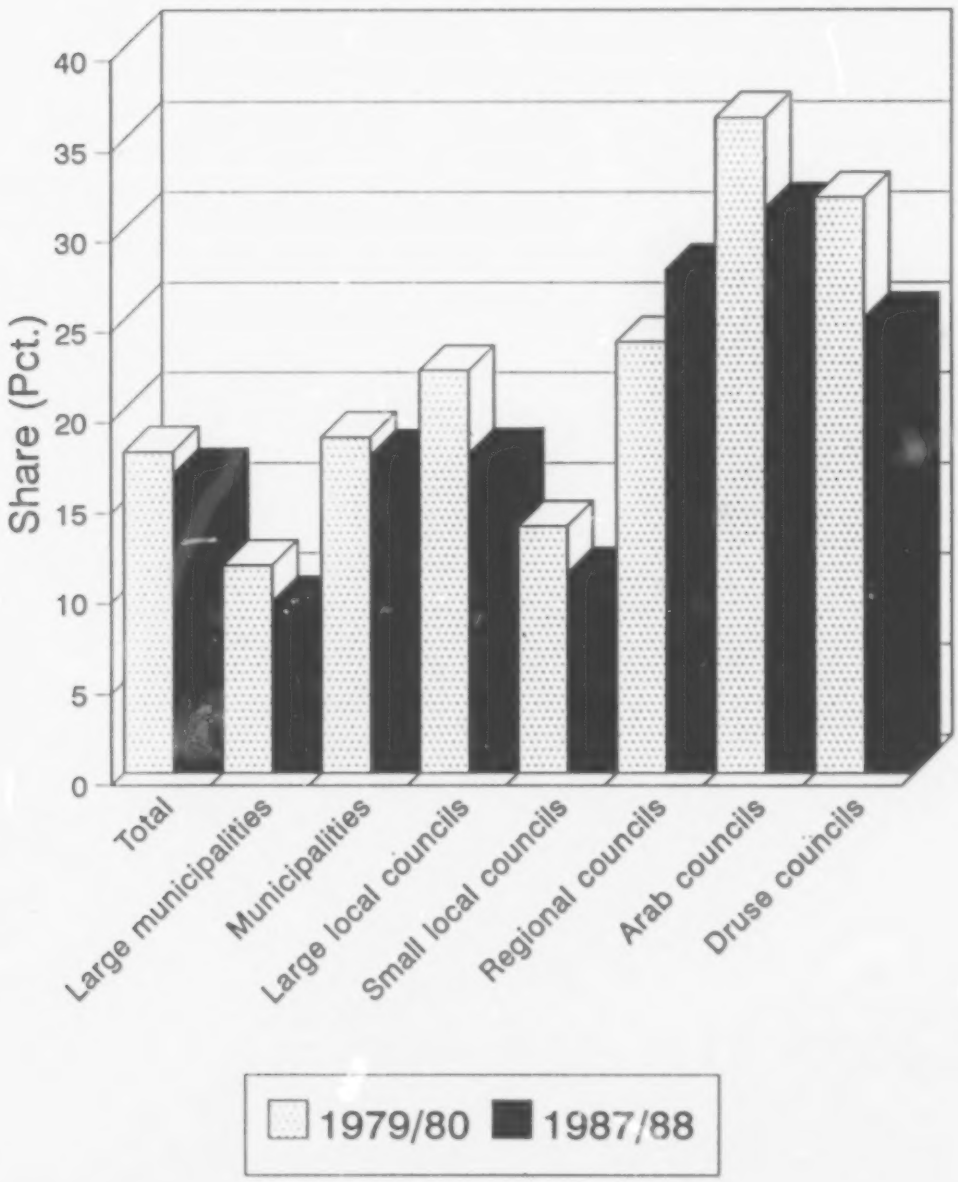


Table 3.5.2 looks at changes in per-capita education revenue and total revenue by type of local authority. The data show that in all types of authorities, except for the large local councils, the inflation-adjusted growth rate of total revenue within the regular budget increased much more rapidly than that of education revenue. The revenue growth rate in the minorities sector is especially noticeable when compared with the Jewish sector. Total education revenue increased by 32 percent in Arab authorities and by 47 percent in Druse authorities, whereas the rates of change in the Jewish sector were an average 7 percent growth in municipalities and a 21 percent contraction in large local councils.

Despite the substantial real growth in minority authorities' per-capita education revenue, the share of this revenue in the total regular budgets of the minorities sector decreased during the period under review as it did in all local authorities due to the rapid increase in the growth rate of total revenue within the regular budget.

TABLE 3.5.2: CHANGES IN PER-CAPITA EDUCATION REVENUE AND TOTAL REVENUE, BY TYPE OF LOCAL AUTHORITY, 1979/80-1987/88
(inflation-adjusted; in percent)

	Education Revenue	Total Revenue, Regular Budget
All authorities	5.6%	13.2%
Municipalities (including large ones)	7.1	17.7
Large local councils	-21.4	-1.0
Small local councils	-1.2	22.0
Regional councils	7.3	-8.0
Arab councils	32.2	53.0
Druse councils	46.9	86.0

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years; Central Bureau of Statistics, *Local Authorities in Israel, Physical Data* for the relevant years.

3.6 The Education Deficit Covered by Local Authorities

Local authority outlays on educational services are not fully covered by government and parental participation, and must be covered by the authorities themselves. Since local authority involvement in the delivery of educational services is anchored in the Compulsory Education Law, 5711-1951, they contend that their education budgets should be entirely covered by government and parental contributions. The authorities claim that educational services are a heavy strain on their budgets, and that these budgets would be easier to balance if the government were to itself provide funding for all educational services.[25]

The data presented thus far show that growth of local authority education outlays has lagged far behind the growth of total expenditures in the regular budget. This means that the

local authority education deficit — the difference between local authority outlays on education and revenue from education — has dropped markedly as a percentage of the authorities' total budget. Moreover, the rapid growth of education service revenue in many authorities between 1979/80 and 1987/88 caused the per-capita deficit in the local education budget to decrease, as illustrated in Table 3.6.1 and Figures 3.6.1 and 3.6.2.

The data show that the education deficit as a percentage of total local authority outlays decreased from 13.6 percent in 1979/80 to 10.6 percent in 1987/88 in all sectors countrywide, significantly reducing the burden assumed by the local authorities. Yet some authorities still receive a general grant, intended, among other things, to cover deficits in educational services.

The data also show a 17 percent decrease in the per-capita education deficit in the local authorities as an aggregate: from NIS 105.8 in 1979/80 to NIS 87.4 in 1987/88 (in constant prices). This decrease was most salient in municipalities. Especially noticeable was the decline in the deficit of medium and small municipalities, which account for most of the population of Israel. However, the per-capita education deficit increased in small local councils (18 percent), Arab councils (24 percent) and Druse councils (144 percent).

TABLE 3.6.1: THE EDUCATION DEFICIT IN LOCAL AUTHORITY BUDGETS, BY TYPE OF LOCAL AUTHORITY, 1979/80 AND 1987/88

	Deficit as Percent of Total Outlays (Regular Budget)		Per-Capita Deficit in Education Budget, Constant Prices (NIS)		Pct. Change in Per-Capita Deficit
	1979/80	1987/88	1979/80	1987/88	
Total	13.6%	10.6%	105.8	87.4	-17.4%
Large municipalities	12.3	11.0	121.3	105.4	-13.1
Municipalities	14.3	9.7	96.6	74.4	-23.0
Large local councils	13.8	11.7	126.1	119.1	-5.5
Small local councils	11.8	11.0	117.4	138.8	18.2
Regional councils	15.0	12.7	201.7	160.5	-20.5
Arab councils	10.7	8.2	21.5	26.7	24.0
Druse councils	7.1	8.3	11.2	27.3	143.7

Source: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years; Central Bureau of Statistics, *Local Authorities in Israel, Physical Data* for the relevant years.

Figure 3.6.1
The Education Deficit in Local Authority Budgets as a Percentage of Total Outlays, 1979/80 and 1987/88

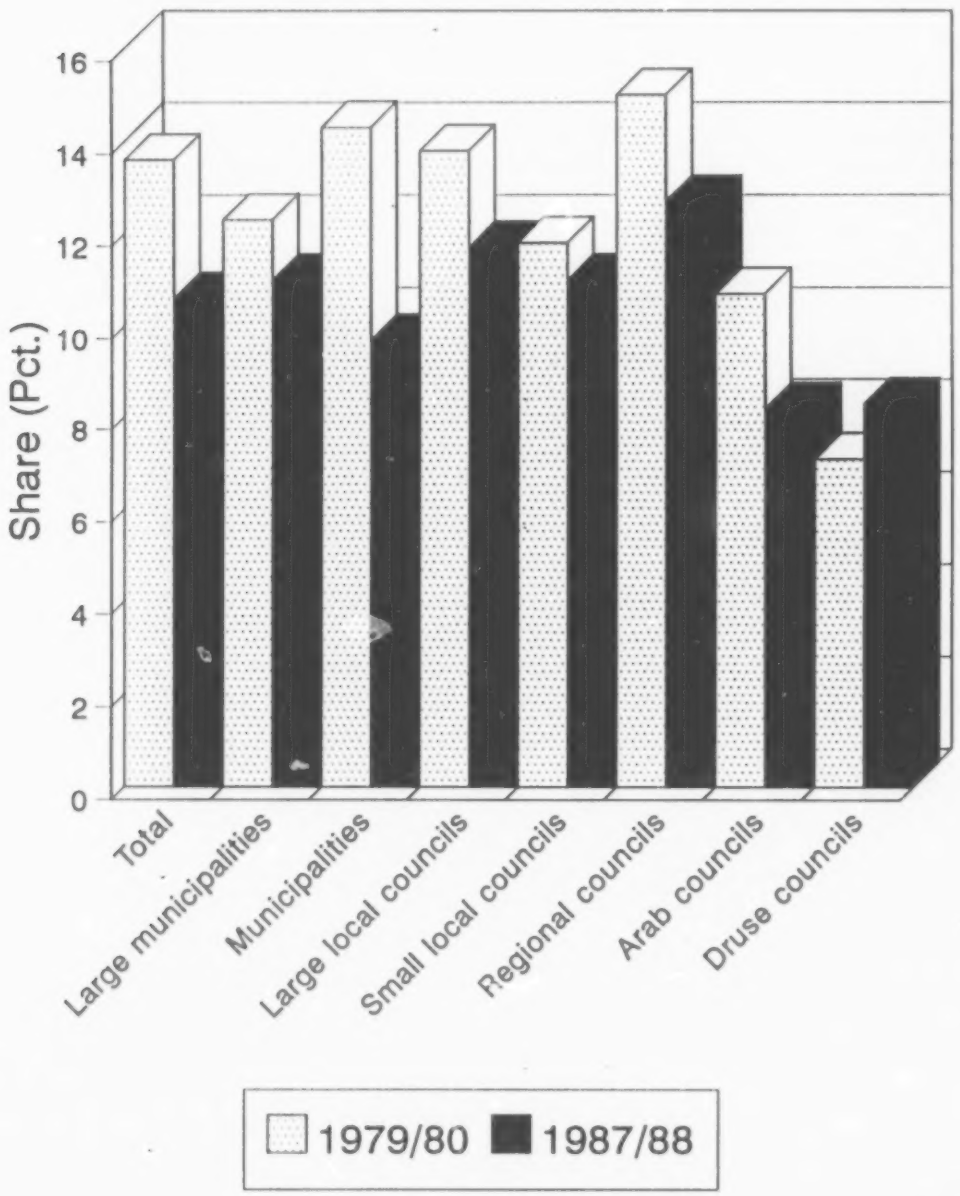
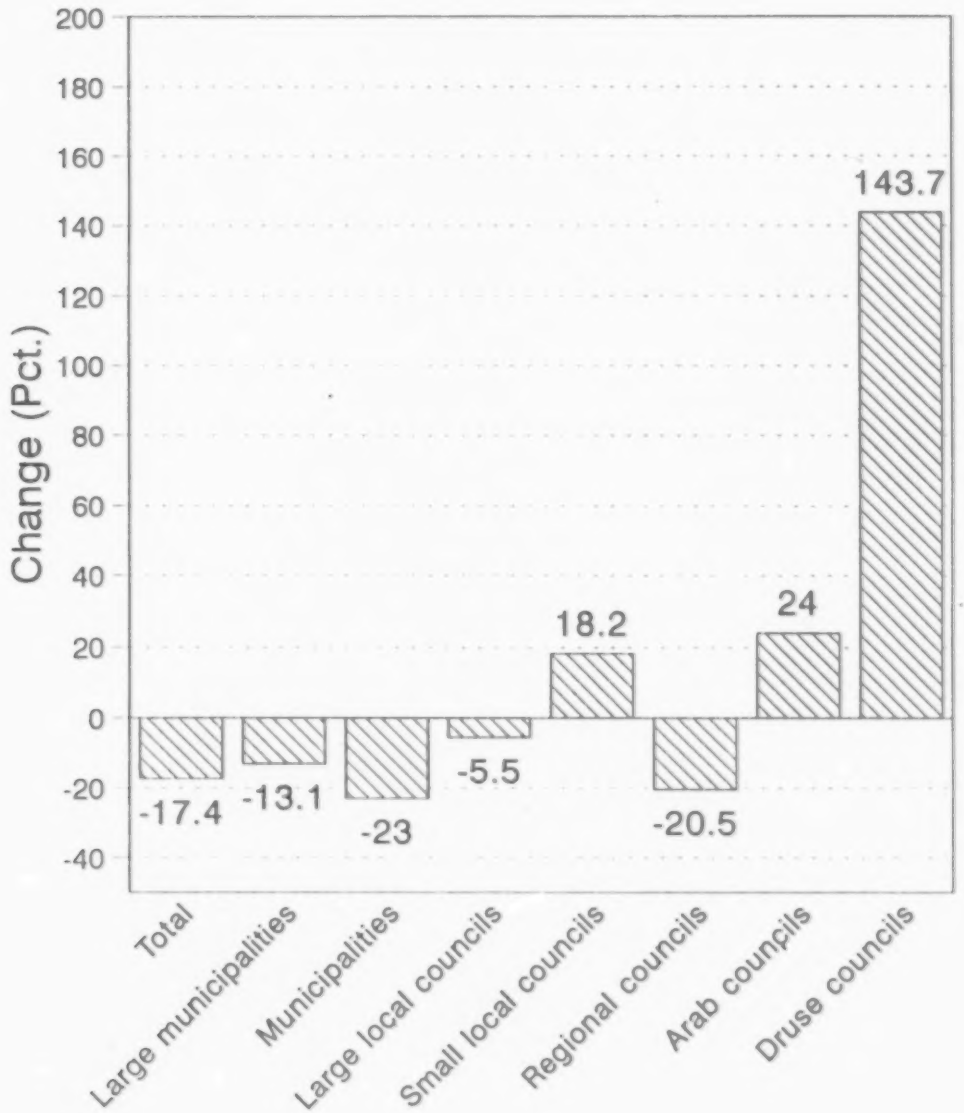


Figure 3.6.2
Trends in the Per-Capita Education Deficit, by Type of Local Authority, 1979/80 - 1978/88



3.7 Expenditures for Cultural Services

Outlays in the category of cultural services include youth and adult afternoon activity groups, libraries, performing artists, exhibitions, and sports. In 1987/88, cultural services accounted for approximately 8 percent of all expenditures within the regular budget of local authorities, compared with 26 percent for education.

The period under review saw a trend toward real growth in cultural service expenditures, both relative to outlays for educational services and to the local authority budget as a whole. Table 3.7.1 presents data on the share of culture and education in total local authority expenditures, and the apparent rates of increase in the share of expenditures for culture and education as compared with the growth of the total local authority budget.

It is notable that real percentage growth in cultural services occurred in almost all types of local authorities. In the large municipalities the real increase — 37 percent — surpassed the total growth of cultural services in all local authorities as an aggregate (18.1 percent).

This growth in the share of cultural services and a real increase in cultural expenditures was especially high in the minorities sector: rising 102 percent among Arab local authorities and 139 percent in Druse councils.

TABLE 3.7.1: SHARE OF CULTURE AND EDUCATION IN TOTAL EXPENDITURES, BY TYPE OF LOCAL AUTHORITY, 1979/80 AND 1987/88

Type of Authority	Share of Culture Expenditures		Share of Education Expenditures		Pct. Change		
	1979/80	1987/88	1979/80	1987/88	Culture	Education	Total Budget
All authorities	7.0%	7.8%	29.5%	26.5%	18.1%	-4.9%	5.9%
Large municipalities	7.1	9.7	21.8	20.7	37.0	-5.1	-3.2
Municipalities	6.5	6.6	31.4	26.4	4.8	-15.9	13.1
Large local councils	7.6	7.2	35.0	26.7	5.7	15.2	11.0
Small local councils	10.1	8.1	25.1	31.3	1.9	7.9	27.4
Regional councils	8.8	8.8	38.0	39.1	-0.7	-3.7	-6.4
Arab councils	2.7	3.4	46.0	37.1	102.4	30.3	61.5
Druse councils	4.8	5.5	41.3	32.5	139.0	63.6	107.4

Source for Tables 3.7.1-4: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years; Central Bureau of Statistics, *Local Authorities in Israel, Physical Data* for the relevant years.

Table 3.7.2 describes the increase in per-capita cultural expenditure by type of local authority. The data show that per-capita expenditure for cultural services increased in all urban sectors, with the growth rate in the minority sector far exceeding that of the Jewish sector. However, in view of the initial low level of expenditure in the minorities sector, per-capita spending for cultural services in this sector still fails to reach 25 percent of the average for all local authorities.

Notably, per-capita expenditure for cultural services is twice as high in small local councils (NIS 102) as in municipalities (NIS 51). In the large local councils, however, per-capita expenditure was closer to that of the municipalities. The patterns found here match the conclusions of Gaziel and Klein,[26] as well as other findings concerning trends in local authority expenditures for general administration.[27] One may conclude that population size affects the level of per-capita expenditure in small local authorities, making per-capita expenditure much higher there than in the larger authorities.

TABLE 3.7.2: PER-CAPITA EXPENDITURE FOR CULTURAL SERVICES, BY TYPE OF LOCAL AUTHORITY, 1979/80 AND 1987/88
(NIS; in constant 1987/88 prices)

	1979/80	1987/88	Pct. Change
All authorities	54.4	64.3	18.1%
Large municipalities	69.8	92.4	32.4
Municipalities	42.5	50.6	19.0
Large local councils	69.4	73.4	5.7
Small local councils	100.5	102.4	1.9
Regional councils	119.2	118.3	-0.7
Arab councils	5.5	11.2	102.4
Druse councils	7.5	18.0	139.0

Table 3.7.3 provides data on per-capita revenue from cultural services for 1979/80 and 1987/88 in 1987/88 prices. The data show substantial real growth in revenue from cultural services for all authorities, most notably in the large municipalities (37 percent). The data also indicate that per-capita cultural revenue is much higher in the Jewish sector than in the minorities sector.

The growth of revenue from cultural services indicates an increase in the scale of services, for supplementary education in particular. It also points to additional income from fees for courses offered under supplementary education programs.

TABLE 3.7.3: PER-CAPITA REVENUE FROM CULTURAL SERVICES, BY TYPE OF LOCAL AUTHORITY, 1979/80 AND 1987/88
(NIS; in constant 1987/88 prices)

	1979/80	1987/88	Percent Change
All authorities	10.7	11.7	9.3%
Large municipalities	5.6	7.7	37.1
Municipalities	10.3	11.8	15.5
Large local councils	16.3	10.8	-33.8
Small local councils	16.4	14.2	-13.6
Regional councils	36.9	37.8	2.6
Arab councils	1.4	2.1	47.8
Druse councils	8.0	2.1	-73.6

Overall, the data on cultural services show that the rate of real revenue growth was much greater in culture than in education, that most income from cultural services is amassed by municipalities (58.7 percent) and large local councils (an additional 15.3 percent), and that the share of revenue from cultural services in small local councils (1.6 percent) and the minorities sector (2.4 percent) constitutes a negligible part of total local authority income from this function.

The state government participates in the cost of cultural services, especially with regard to continuing education. Table 3.7.4 presents data on this participation as a share of local authority revenue for culture services, itemized by type of authority. Data on changes in per-capita revenue are also shown.

The data point to a major real decrease in per-capita government participation in cultural services during the period reviewed. The share of state government participation in local authority revenue from cultural services decreased from 65.4 percent in 1979/80 to 29 percent in 1987/88, indicating that government support had been replaced by user fees.

The effect has been one of greater self-sufficiency on the part of local authorities in the provision of cultural services. In other words, the local authorities are exercising greater control of revenues gained from these services. To a certain extent, cultural services have become much more the responsibility of the local authorities themselves, although they are still counted as state government services.

TABLE 3.7.4: EARMARKED GOVERNMENT PARTICIPATION IN CULTURAL SERVICES OF LOCAL AUTHORITIES, 1979/80 AND 1987/88

	Government Participation as Share of Revenue from Cultural Services		Per-capita Revenue (NIS), 1987/88 Prices		
	1979/80	1987/88	1979/80	1987/88	Pct. Change
All authorities	65.4%	29.0%	7.0	3.4	-51.3%
Large municipalities	75.0	33.7	4.2	2.6	-37.4
Municipalities	63.1	24.6	6.5	2.9	-56.1
Large local councils	79.1	43.5	12.9	4.7	-63.6
Small local councils	80.1	49.1	13.1	7.0	-47.0
Regional councils	50.6	25.2	19.5	10.5	-46.0
Arab councils	92.4	97.3	1.33	1.22	-8.3
Druse councils	100.0	88.6	8.0	1.86	-76.9

3.8 Development Budget Expenditures for Educational and Cultural Services

Expenditures through the development budget (or the "non-regular budget," as it is known in the local authorities) include all local authority outlays for construction of education and cultural facilities. Tables 3.8.1 and 3.8.2 provide data on the share of education and culture in the local authority development budget for 1979/80 and 1987/88, itemized by type of local authority, as well as trends in per-capita expenditure. These data indicate a decrease in the share of local authority development budgets allocated to education, from nearly 34 percent in 1979/80 to 18 percent in 1987/88. This phenomenon, conspicuous in all types of local authorities, apparently indicates that the development of educational services has reached a saturation point in many localities. Local authorities that made past investments in education facilities and have no significant population growth have no need to invest additional resources in this function.

TABLE 3.8.1: DEVELOPMENT BUDGET EXPENDITURES FOR EDUCATIONAL SERVICES, BY TYPE OF LOCAL AUTHORITY, 1979/80 AND 1987/88

	Share of education in total expenditures		Per-capita expenditure (NIS; 1987/88 prices)		
	1979/80	1987/88	1979/80	1987/88	Pct. Change
All authorities	33.7%	17.8%	56.1	38.2	-31.9%
Large municipalities	21.4	17.9	37.1	57.2	53.9(2)
Municipalities	40.1	17.8	61.2	31.1	-49.1
Large local councils	33.3	24.6	56.6	42.5	-25.0
Small local councils(1)	No data available				
Regional councils	35.9	14.1	112.5	36.4	-67.6
Arab councils	41.5	24.7	12.8	9.7	-24.3
Druse councils	62.1	23.0	79.0	26.4	-66.5

(1) Since some local authorities do not itemize their development statistics, the table provides no data for small local councils and isolated data only for Arab and Druse councils.

(2) Most of this growth was in the Municipality of Tel Aviv, where per-capita expenditure increased from NIS 21 in 1979/80 to NIS 111 in 1987/88 (constant prices).

Source for Tables 3.8.1-2: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years; Central Bureau of Statistics, *Local Authorities in Israel, Physical Data* for the relevant years.

Table 3.8.2 summarizes trends in local authority development budget expenditures for cultural facilities between 1979/80 and 1987/88. The data point to substantial growth in the share of the development budget allocated to cultural facilities: from 6.6 percent in 1979/80 to 8.4 percent in 1987/88.

Per-capita expenditure in this function grew by 64 percent in real terms. Most of the growth took place in the municipalities (approximately 100 percent in real terms). In the medium and small municipalities, the share of culture in the development budget grew by 74 percent: from 5.7 percent in 1979/80 to 9.9 percent in 1987/88. In the large municipalities, investment in culture increased by 13 percent: from 5 percent to 5.65 percent.

This suggests that local authorities shifted their emphasis in the 1980s, as the expansion of cultural services in both regular and development budgets overtook education as a priority.

TABLE 3.8.2: TRENDS IN LOCAL AUTHORITY EXPENDITURES FOR CULTURAL FACILITIES, 1979/80-1987/88

	Share of culture in total expenditures		Per-capita expenditure (NIS; 1987/88 prices)		
	1979/80	1987/88	1979/80	1987/88	Pct. Change
All authorities	6.61%	8.43%	11.01	18.09	64.33%
Large municipalities	5.00	5.65	8.66	18.10	108.99
Municipalities	5.73	9.90	8.74	17.53	98.45
Large local councils	10.02	10.02	17.06	17.10	0.23
Arab council: Nazareth(1)	1.64	3.11	0.87	2.13	143.81

(1) There are no comparative data available for the development budget of local authorities in the Arab and Druse sector, and of small local councils.

3.9 Types of Local Authority Expenditures

Expenditures in local authority budgets are of two major types: wages and operating expenses. The growth of each type of expenditure is analyzed during the period under review.

Tables 3.9.1 and 3.9.2 look at trends in local authority expenditures for wages and operations between 1979/80 and 1987/88. The data show that per-capita expenditure for wages decreased in all local authorities by 2.7 percent in the period under review, while per-capita expenditure for operations increased by 5.3 percent.

In the Arab sector, a different picture emerges. There we see a substantial increase in per-capita expenditure for wages (45 percent), coupled with real growth in per-capita expenditure for operations (13 percent).

TABLE 3.9.1: TRENDS IN LOCAL AUTHORITY EXPENDITURES FOR WAGES, 1979/80-1987/88

	Share of expenditures for wages		Per-capita expenditure (NIS; 1987/88 prices)		
	1979/80	1987/88	1979/80	1987/88	Pct. Change
All authorities	53.3%	54.5%	123	119	-2.7%
Urban Jewish authorities	56.0	56.6	124	117	-5.5
Arab councils	68.7	76.5	64	93	45.2
Druse councils	55.9	64.7	37	69	89.2

Source for Tables 3.9.1-7: Central Bureau of Statistics, *Statistical Abstract of Israel*, for the relevant years; Central Bureau of Statistics, *Local Authorities in Israel, Physical Data* for the relevant years.

TABLE 3.9.2: TRENDS IN LOCAL AUTHORITY EXPENDITURES FOR OPERATIONS, 1979/80-1987/88

	Share of Expenditures for Operations		Per-capita Expenditure (NIS; 1987/88 prices)		
	1979/80	1987/88	1979/80	1987/88	Pct. Change
All authorities	24.8%	27.5%	57	60	5.3%
Urban Jewish authorities	21.3	24.1	47	50	5.9
Arab councils	20.6	17.8	19	22	12.8
Druse councils	29.7	29.3	19	31	61.6

Expenditures on education, as shown in the local authorities' financial statements and in Central Bureau of Statistics (CBS) data, are classified by several main types of expenditure: administrative, pre-school, primary, post-primary, higher and other, supplementary educational services, meals and summer camps, and educational welfare and Project Renewal. Table 3.9.3 charts the share of each type of education expenditure in 1979/80 and 1987/88 and the overall trend during those years.

A sizable decrease occurred in the share of expenditures on primary education (11 percent). The decrease in the share of primary education in the total education budget was most precipitous in medium and small municipalities (from 28.8 percent in 1979/80 to 25.2 percent in 1987/88), Arab authorities (from 35.8 percent to 31.2 percent), and Druse authorities (from 45.2 percent to 40.5 percent). Some of the decrease in primary education was caused by the changeover of additional schools to the junior-high framework, which is defined as post-primary.

The share of education expenditures grew in a number of categories: pre-school education (15 percent), supplementary services (12 percent), and, in particular, administrative expenses (30 percent).

Looking more closely at administrative expenditures, we find that the main growth has been in municipalities (44 percent in large ones, and 23 percent in medium and small ones), small local councils (76 percent), and the Arab and Druse sector. In the latter sector, however, no relevant data were found for some local authorities, and the levels of per-capita expenditure are very low.

The data show that expenditures for meals and summer camps, a fairly substantial item in 1979/80 at 6.4 percent of total expenditure, had been virtually eliminated by 1987/88. The provision of hot lunches for a sizable segment of the pupil population was highly important in the country's early years, since certain population groups were in such dire economic straits that this was the only complete and warm meal that some pupils received during the day. Subsequent budget constraints and cutbacks have virtually eliminated this service. Today, with unemployment rates on the rise (reaching 16 percent in several development towns), and with some groups of recent immigrants affected by joblessness and low incomes, the decision to do away with school lunches should be reconsidered, at least in those parts of the country where difficult socioeconomic circumstances prevail. The resumption of this service would also be a significant factor in furthering the aim of the country's education policy-makers to lengthen the school day so that it approximates the school day that prevailed in the 1970s.

The contraction in expenditures for school meals had a greater detrimental effect in small and large local councils, where its share in total education expenditures was higher than in the municipalities. This development resulted in the non-utilization of school dining halls that had previously been available to the pupils, and the elimination of previously-offered home economics studies.

Expenditures for educational welfare and Project Renewal was insignificant in 1987/88 (2 percent) and had not existed in the preceding period.

TABLE 3.9.3: SHARE OF EDUCATION EXPENDITURES IN LOCAL AUTHORITIES, BY TYPE OF EXPENDITURE, 1979/80 AND 1987/88

	1979/80	1987/88	Percent Change
Administrative	3.3%	4.3%	30.0%
Pre-school education	16.2	18.7	15
Primary education	27.7	24.6	-11
Post-primary education	33.1	35.0	6
Higher education and other	3.0	2.8	-6
Supplementary services	10.3	11.5	12
Meals and summer camps	6.4	0.8	-88
Educational welfare and Project Renewal	-	2.0	-

Table 3.9.4 summarizes per-capita expenditure for pre-school education by type of local authority. The data show that the main growth in pre-school education took place in the large and small local councils and the minorities sector. Growth was much more rapid in the minorities sector than in the Jewish sector. However, there are still large disparities in per-capita expenditure between the Jewish sector (NIS 31-68) and the minorities sector (roughly NIS 10 on average).

Table 3.9.4 also shows that the larger the authority, the lower the mean per-capita expenditure on pre-school education: NIS 68 in small local councils, NIS 59 in large local councils, NIS 43 in medium and small municipalities, and only NIS 31 in large municipalities (1987/88 figures). This empirical finding corresponds to the views of Gaziel and Klein, who found a similar correlation between per-capita education expenditure and the size of the local authority.[28]

TABLE 3.9.4: PER-CAPITA EXPENDITURE FOR PRE-SCHOOL EDUCATION, BY TYPE OF LOCAL AUTHORITY, 1979/80 AND 1987/88
(NIS; 1987/88 prices)

	1979/80	1987/88	Percent Change
All authorities	37.3	40.9	9.8%
Large municipalities	30.7	31.4	2.1
Municipalities	41.6	42.7	2.6
Large local councils	46.2	58.6	26.8
Small local councils	54.9	67.7	23.3
Arab councils	5.8	7.7	31.8
Druse councils	6.4	12.5	95.9

Table 3.9.5 summarizes per-capita expenditure for primary education by type of local authority. The data show that per-capita expenditure for primary education in all authorities declined by about 15 percent in real terms. An even greater decrease occurred in the municipalities (20 percent). Yet a substantial rise was evident in the Arab and Druse authorities (14 percent and 47 percent, respectively).

Table 3.9.5 also confirms the existence of economies of scale with respect to per-capita expenditure for primary education, with small councils averaging NIS 84, large councils NIS 66, and municipalities NIS 52. Thus, the larger the local authority, the lower the per-capita expenditure.

Another phenomenon that recurs throughout the data is the relatively low per-capita expenditure in primary education in the Druse and Arab sectors (NIS 43 and NIS 38, respectively), as compared with NIS 52 on average in Jewish municipalities, NIS 66 in large Jewish local councils, and NIS 84 in small Jewish local councils. However, this gap has narrowed considerably since 1979/80. Average per-capita expenditure on primary education in the Druse and Arab authorities was about 15 percent of that of the Jewish sector in 1979/80, rising to 20 percent in 1987/88.

TABLE 3.9.5: PER-CAPITA EXPENDITURE FOR PRIMARY EDUCATION, BY TYPE OF LOCAL AUTHORITY, 1979/80 AND 1987/88
(NIS; 1987/88 prices)

	1979/80	1987/88	Percent Change
All authorities	63.9	53.9	-15.5%
Large municipalities	69.7	53.7	-20.8
Municipalities	63.2	50.8	-19.6
Large local councils	65.6	65.7	0.2
Small local councils	76.8	83.9	9.2
Arab councils	33.2	37.8	13.6
Druse councils	29.5	43.3	46.7

There were no substantial changes in the share of expenditures for post-primary education during the period reviewed; its share of total education expenditures rose from 33 percent in 1979/80 to 35 percent in 1987/88. In the large local councils, however, the share of post-primary education decreased from 33 percent in 1979/80 to 27 percent in 1987/88. There were also no large changes in per-capita expenditure; the most conspicuous finding was the small difference between per-capita expenditure in the Arab sector (NIS 68 in 1987/88) and mean per-capita expenditure in all Jewish authorities (NIS 71).

Expenditures for supplementary services are defined as services that the local authority is entitled but not required to provide. Two examples of such services are the provision of textbooks and other learning materials and pupil insurance. Table 3.9.6 summarizes expenditures for supplementary services in 1987/88 compared with 1979/80 by type of local authority. The data show that the share of education resources devoted to supplementary services has risen in most types of authorities, especially in small local councils and the Arab sector. Another striking fact is the gap in per-capita expenditure between Jewish and Arab councils, although the difference is narrowing.

TABLE 3.9.6: PER-CAPITA EXPENDITURE FOR SUPPLEMENTARY SERVICES, BY TYPE OF LOCAL AUTHORITY, 1979/80 AND 1987/88
(NIS; 1987/88 prices)

	Supplementary services expenditures as share of total expenditures		Per-capita expenditure		
	1979/80	1987/88	1979/80	1987/88	Percent change
All authorities	10.3%	11.5%	23.8	25.2	6.0%
Large municipalities	6.8	8.9	14.6	17.5	19.5
Municipalities	9.0	9.0	19.2	18.1	-5.3
Large local councils	9.3	11.2	29.9	30.5	2.0
Small local councils	17.7	21.1	44.0	56.7	28.8
Arab councils	3.0	4.1	2.8	5.0	80.0

Table 3.9.7 summarizes expenditures for educational welfare and Project Renewal in 1987/88 by type of local authority. The data show that educational welfare and Project Renewal accounted for an insignificant share of total local authority education expenditures (2 percent). However, its share in large and small local councils (4.78 and 3.59 percent, respectively) was at least twice that of large municipalities (1.41 percent) and larger than that of small and medium municipalities (2.53 percent).

Spending in the minorities sector was nominal, with per-capita expenditure of NIS 0.24 in the Arab sector as compared with NIS 12.99 in large local councils and NIS 5.05 in medium and small municipalities.

TABLE 3.9.7: EXPENDITURES FOR EDUCATIONAL WELFARE AND PROJECT RENEWAL, BY TYPE OF LOCAL AUTHORITY, 1987/88

	Per-capita expenditure (NIS)	Share of total education expenditures (Pct.)
All authorities	4.33	1.98%
Large municipalities	2.77	1.41
Municipalities	5.05	2.53
Large local councils	12.99	4.78
Small local councils	9.65	3.59
Arab councils	0.24	0.19
Druse councils	0.13	0.12

Notes

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2. Ruth Klinov, *Haqtsaat mash'abim tsiburi'im le-ma'arakh ha-hinuch — seder 'adifuyot* [Allocation of Public Resources to the Education System — Priorities] (Jerusalem: Center for Social Policy Studies, March 1991).

3. Klinov, 1991.

4. See Ruth Klinov, "Allocation of Public Resources for Education," in Y. Kop, ed., *Resource Allocation for Social Services* (Jerusalem: Center for Social Policy Studies in Israel, 1988).

5. Klinov, 1991.

6. *Ibid.*

7. Erik H. Cohen, "Education and Socio-Economic Achievements: Towards an International Survey of Educational Systems," Jerusalem: Institute for the Study of Educational Systems, 1991.

8. See *Hatzofeh* (daily newspaper), May 13, 1992.

9. Ira Sharkansky, *The Political Economy of Israel* (New Brunswick, NJ: Transaction Books, 1987).

10. See G. Kurtz and S. Lehman-Wilzig, *Broadening the Circle of Extra-Parliamentarism in Israel: Public Attitudes Toward Alternative Systems and Their Use* (Hebrew, in press).

11. See *Report of the State Comptroller*, No. 42, 1991, p. 401.

12. Kurtz and Lehman-Wilzig.

13. Daniel Levi, "Election Economics and Business Turnover in Israel," *Economics Quarterly*, 119 (1984):865-875; Y. Ben-Porat, "The Years of Plenty and the Years of Famine: A Political Business Cycle, *Economics Quarterly*, 28 (1975):400-403.

14. See *Report of the State Comptroller*, No. 36, 1986, section on the Economic Stabilization Program.

15. Source: Report of the Planning and Grants Committee of the Council for Higher Education, 1991.

16. Y. Cohen, *Globes*, 20 January 1993.

17. See *Report of the Israel State Comptroller*, No. 42, 1991, p. 405.

18. Y. Kop, Y. Blanket, and D. Sharon, *Welfare Characteristics in Big Cities: Population, Immigration and Resources* (Jerusalem: Center for Social Policy Studies, December 1992).

19. See Yissachar Dor, Sheila Ben-Tovia, and Yelina Deichev, "Profile of Local Authorities by the Socio-economic Level of the Population" (Jerusalem: Ministry of the Interior Research Department, 1988).

20. Kop *et al.*, 1992, p. 19.

21. *Ibid.*, p. 23.

22. *Ibid.*, p. 24.

23. Sources of the figures: *Report of the State Comptroller*, No. 42, 1991, pp. 394ff.

24. See Arye Hecht, "The Financing of Local Authorities," in Daniel J. Elazar and Chaim Kalchheim, eds., *Local Government in Israel* (Jerusalem: Jerusalem Center for Public Affairs, 1987), pp. 177-243 (Hebrew).

25. See Haim Kalchheim, "Municipality of Jerusalem and Government Ministries: a Study in the Interrelation of Central and Local Government," Ph.D. Dissertation, Hebrew University of Jerusalem, 1976 (Hebrew).

26. H. Gaziel and Y. Klein, "The Education Budget in the Local Authorities: The American Realities and the Israeli Realities," in *Insights on Education*, 2 (1986):189-201 (Hebrew).

27. M. Gabai, I. Deutsch, and S. Rosevitz, "The Effect of Local-Authority Size on General Administration Expenditures" (in press) (Hebrew).

28. Gaziel and Klein, 1986.

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